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THE CONSTITUTION AND FINANCE
OF ENGLISH, SCOTTISH AND IRISH
JOINT-STOCK COMPANIES TO 1720

VOLUME I

THE GENERAL DEVELOPMENT OF THE JOINT-STOCK SYSTEM
TO 1720

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THE CONSTITUTION AND FINANCE OF ENGLISH, SCOTTISH AND IRISH JOINT-STOCK COMPANIES TO 1720

BY

WILLIAM ROBERT SCOTT, M.A., D.PHIL., LITT.D.

LECTURER IN POLITICAL ECONOMY IN THE UNIVERSITY OF ST ANDREWS

VOLUME I

THE GENERAL DEVELOPMENT OF THE JOINT-STOCK
SYSTEM TO 1720

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PREFACE

IN the study of economic progress, more especially in relation to capital, the development of the joint-stock system occupies an important place. This method of organization became prominent at an early period in England, and the investigation of it has all the fascination arising out of the small beginnings of a type of association which eventually attained great magnitude. In a number of ways this enquiry contains much both of interest and romance which would scarcely be expected in a work that necessarily includes a large amount of statistical material. At the present time joint-stock management has been standardized. In the sixteenth and seventeenth centuries methods were still to be discovered, and the conflict between different practices is suggestive and instructive. Not only were the methods new, but the system itself was applied to enterprizes which were then novel. Thus early companies were concerned in voyages of discovery, privateering, foreign trade, the exploiting of new inventions and the financing of the government. In these early ventures there is a remarkable freshness in the point of view of the shareholders, and their speech and writings are characterized by vigour and directness.

The enquiry, of which the results are given in the following pages, is confined to a period which is comparatively self-contained; but, even in this epoch, no attempt has been made to treat the whole life-history of the joint-stock system. A complete account of its organization, in its entirety, would have required much more space than that available in this and the remaining two volumes. Accordingly, certain aspects of the system have been selected for treatment. These include the internal management of companies in relation to their corporate character, the means by which capital was collected and controlled and the methods by which those who provided it participated in the profits or losses. It

would appear that this enquiry, when carried on over a period of less than one hundred and seventy years, ought to be capable of compression into a shorter space than that which has been assigned to it; but there arise many cognate problems for which solutions must be found, unless the results are to be left incomplete. Indeed, to preserve a due balance between the different sub-divisions of the subject, it has been necessary to omit altogether or merely to suggest much information that is not at present available save in manuscripts or very rare pamphlets. The detailed working of many of the companies or the particular kind of improvement in production they attempted to accomplish is often exceedingly valuable; but, instead of describing either of these in full, an effort has been made to convey a sufficient impression of its character to indicate the profit-earning capacity, without entering into a full discussion of the many technical issues involved. Even when the subject has been limited to this extent, there remains the question of the best method of presentation to the reader. The material must be regarded from two points of view, which are distinct but complementary. On the one side there is the comparative method of treatment, and on the other the history of each company as a distinct unit—the first, in fact, regards the phenomena during a very short period, as it were, from above; while the second follows out a series of events in a direct line along a horizontal plane, taking the enterprizes one by one from the foundation till their end, or in some cases to the time at which this investigation closes. Considering the number of companies to be dealt with, I am convinced that nothing would have been gained by attempting to combine these two points of view. For an understanding of the joint-stock system, one requires a knowledge of how it was related to other activities at a certain time and how it developed afterwards: one also needs to be able to follow the history of a company throughout. Both objects are secured by treating each aspect separately. No doubt this method involves some repetition, but the amount of it will, I think, be found to be less than might have been expected. It has sometimes happened that the same events must be referred to in each part of the work, but it has frequently turned out that “the values,” in an artistic sense, are quite different—circumstances may be very important in the separate history of a company and only deserve the merest passing mention in the comparative treatment of the system as a whole. After much consideration, I decided to place the

comparative portion in the first volume, assigning to the second and the third the accounts of the individual companies. Accordingly, the first part of the work consists of an attempt to record the beginning and the development of the joint-stock system during the first important stage in its history, namely till the year 1720. Stated in this way the enquiry seems a simple one, but a little consideration will show that it is in reality exceedingly complex. Early companies were affected by, and in their turn affected the national life at so many points that, in order to present a reasonably complete view of the evolution, it is necessary to reconstruct the environment in which the system worked and to notice contemporary types of joint-stock activity in other countries. When one looks beneath the merely surface view of things, it will be found that early companies were influenced by a vast number of circumstances, such as the trend of trade, the state of the Crown finances, the general social conditions, the economic and foreign policies of successive governments and the ethical standard of the time. All these, with other events, constituted the external influences which affected the rise of the joint-stock system in Great Britain; and, as it progressed, the form it assumed was determined also by causes arising mainly from within. To arrive at these, a comparison of the methods and results of the chief companies, existing at a given time, is needed; and these data are collected from the accounts of the individual companies in the second and third volumes. Thus in one sense the first part consists of a general introduction, providing a summary of the early years of joint-stock organization; while in another sense, through the comparison of company with company, it also aims at presenting conclusions. It is hoped that, taking the two parts together, the rise of the system, in spite of a seeming mass of disconnected particular instances, will be seen to evolve gradually a delicately balanced causation of its own, and, in the end, to develope according to a comparatively simple and precise method.

Though in the order of arrangement this volume comes first, owing to the number of paged references to the other two, it is the last to be issued; and, while apologising to my readers for the apparent anomaly, the value of the system of cross-references may perhaps be held to justify the delay. I am glad to thank the Secretary of State for India in Council, the Syndics of the University Press, Cambridge, the University Court of the University of St Andrews and the Carnegie

Trust for the Universities of Scotland for providing for the publication of the whole book. I am greatly indebted to Prof. W. J. Ashley for valuable suggestions arising out of his reading of the MS. of the first two chapters.

My thanks are also due to the officials at many libraries for favourable opportunities for prosecuting my enquiries. It was through these facilities that several important authorities were discovered.

W. R. S.

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PART I. THE GENERAL HISTORY OF ENGLISH, SCOTTISH AND IRISH JOINT-STOCK COMPANIES TO 1720.

CHAPTER I. THE VARIOUS LINES OF ECONOMIC DEVELOP- MENT WHICH CONVERGE IN THE FIRST ENGLISH JOINT- STOCK COMPANIES.

The earliest English joint-stock companies might have been evolved either from the mediæval partnership or from the idea of a corporation. (a) The *Societas* or *Commenda*—the *societas* was extensively used by Italian financiers in England during the thirteenth and fourteenth centuries. Italian influence declined after the failure of the Bardi in 1345. (b) The development of the corporate idea—traces of the conception of perpetual succession implicit in the Saxon gilds. Brotherhood inside the gild resulted in exclusiveness outside, and from the latter the monopoly of early trading societies was derived. The government of gilds, feasts and processions involved the ownership and management of property by the gild, and also general meetings and audit of accounts. The monopoly of the *gilda mercatoria* led to collective bargaining. Government of the gild merchant became established as consisting of a governor with a council to assist him, or to be associated with him, whence was later derived the governor and assistants of the regulated company.

The internal organization of the Staple and of the Merchant Adventurers—by the sixteenth century groups of members had been formed within regulated companies, who traded “in joint-stocke,” and transactions are recorded which approximate to the early joint-stock type of a corporate purchase followed by a commodity-division. When this stage was reached the transition to a joint-stock company would soon follow, and the same result was possible by an extension of the *societas*. A third possibility was the transplanting of a joint-stock constitution from the Continent—instances of the latter tendency are wanting, though allowance must be made for foreign influences in early English joint-stock companies as determining some minor points in their organization

CHAPTER II. FROM THE BEGINNING OF THE RUSSIA
COMPANY IN 1553 TO THE CRISIS OF 1569.

From the economic point of view the Reformation involved a dislocation of production in England. After the dissolution of the monasteries there came a period of extravagance which resulted in the contraction of a large Crown debt, amounting in 1555 to £148,526 at 14 per cent. These loans were due abroad, and the payment of the interest constituted a serious drain on the commerce of the country. One direction in which efforts were made towards development of commerce was the use of capital in new foreign trades, which were carried on by the joint-stock system. The Russia company and the Adventurers to Guinie were started in 1553. The constitution of the Russia company under the charter of 1555—the three orders of officials in the court and the origin of the office of consuls. While the Russia company was a development of the regulated company, the Adventurers to Guinie represented an extension of the *societas*—the position of the “under-adventurers,” the initial capitalization of these two companies and the profits obtained.

The commercial depression at the end of the reign of Mary delayed the benefits which would otherwise have followed from the opening of new trades. The finances of the Crown were in an unsatisfactory condition—the debt being £226,910 in 1559; estimates of the Ordinary Revenue and Ordinary Expenditure in 1560–1. An expenditure of £300,000 was required for national defence; the difficulty in financing the debt when foreign lenders refused advances and voluntary loans could not be raised in England. Gresham operated on the foreign exchange in order to meet the financial emergency. The political and diplomatic anxieties connected with Scotland reacted on English credit abroad, and in 1560 there was a panic amongst the creditors of the Crown at Antwerp. Both trade and the credit of the Crown improved between 1560 and 1563. The Russia and Guinie companies were used to aid in the carrying out of Elizabeth's policy—the former by supplying naval requisites on credit, and the latter by relieving the Exchequer from the cost of maintaining a ship-of-war which was employed by the Adventurers. The reform of the coinage was begun, also schemes for the production of ordnance. The grant of the privilege of mine royal, which formed the basis of an important mining company.

An outbreak of plague in 1563 caused a serious dislocation of trade, followed by a crisis. English goods were prohibited in Flanders; and again the foreign creditors of the Crown pressed for payment of their loans, causing great anxiety in the administration of the finances. The effects of the crisis on the companies—the Guinie company came to an end about 1566, mainly through the slave-trading of Hawkins' syndicate; the Russia company was forced to increase its capital. The Russia company endeavoured to establish a European wax-monopoly—its difficulties with interlopers and the settlement of 1566 on the basis of admission of independent traders on equitable terms. The franchises of the company in Russia were suspended in 1570. The development of mining was carried out in connection with the national policy of the time, and the societies of the Mines Royal and the Mineral and Battery Works were begun in 1564 and received charters in 1568. The total capital, invested in joint-stock companies in 1570, may be estimated at £100,000, the relation of this amount to other statistical data of the period. Considerations pointing to the general trend of profits of companies at this

time and the results of joint-stock activity. The early conception of "the share," the number of which was regarded as fixed, while the amount paid up varied. As calls increased, fractional shares came into existence. Hence the share was understood as a "part" in the business. In this respect the early company was related to the partnership; but, at the same time, its corporate character is clearly marked by its by-laws and by the early appearance of a comparatively free market for shares 15

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There were several causes tending towards a crisis—(a) the political dangers of privateering, (b) the situation in Scotland, (c) internal troubles in Flanders prevented the renewal of loans to Elizabeth, (d) the seizure of Spanish bullion in 1568, (e) Alva seized English goods in the Low Countries in 1569.

The interruption of trade with Flanders marked the beginning of a crisis, which was intensified by Norfolk's Rebellion and by bad harvests. The crisis caused many failures and much embarrassment in the Crown finances. A Parliament was summoned in 1571, in which complaints were made of monopolies, usury and abuses in the Treasury. The legislation against usury failed.

The crisis affected all the chief joint-stock companies. The Russia company was reorganized and a new stock was formed. A "farming" system was adopted by both the Mines Royal and by the Mineral and Battery Works. Farming caused dissensions in the Mineral and Battery Works. Capital, at this period, was not distinctly understood—various uses of the term "stock." Capital, as a term in accountancy, appears as early as 1569. The financial results of joint-stock management from 1569 to 1574 were poor. The only new company, formed during the period of depression, was the society for the New Art of making Copper—its analogy to a modern private company 47

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The recovery from the crisis began in 1575 and was the beginning of a period of prosperity. The Crown credit was good. The effect of better times on the joint-stock companies—improved position of the Mineral and Battery Works; the Mines Royal worked at a profit in 1586, its policy was enlightened; the reorganized Russia company developed "a new trade" from Persia *via* the Caspian Sea and the Volga, which was profitable from 1573 to 1581—possible competition between the Russia and Levant companies; the Russia company and the discovery of a north-west passage.

The importance of privateering—(a) the political motive, (b) English progress in shipbuilding. Privateering syndicates were joint-stock bodies. This method of organization possessed the financial advantage of enabling the capitalist to distribute his risk, and the political one of escaping legal complications. The accounts of privateering companies were kept secret, but those of the Adventurers in Frobisher's Voyages afford a basis for calculation. Capital was often provided in the form of commodities, *e.g.* ships or

stores: ratio between the tonnage and number of crew in a privateering expedition. This mode of calculation fixes the capital-outlay on Drake's voyage round the world at about £5,000. The captured bullion was said to have been between £1,500,000 and £1,750,000. A comedy was arranged to deceive the Spanish Ambassador as to the amount, by landing the greater part of it secretly prior to the official inspection. Out of the secreted bullion, the adventurers received a division of 4,700 per cent. or about £250,000; while Elizabeth obtained the uncustomed bullion, valued at £250,000 to £300,000. These funds improved the position of the Crown finances and enabled Elizabeth to give assistance to the Netherlands.

Good trade and the success of privateering resulted in a general spirit of optimism. The standard of living was raised, and it was estimated that the wealth of England had trebled since 1558. The boom in privateering was an appearance, rather than the reality of prosperity. Its temporary success depended on secrecy, which was not maintainable to the same extent when the expeditions became more numerous. Several of these made some attempts at colonization. As the privateering expeditions became larger, the profits were smaller. By 1586 the reprisals of the Spaniards occasioned depression of trade, which was increased by a bad harvest in 1587. The crisis of 1586-7 affected the joint-stock companies—the second joint-stock of the Russia company and the subsidiary companies of the Mines Royal in Cornwall and Cumberland were wound up.

The crisis of 1586-7 made the financing of the struggle against the Armada very difficult. The subsidizing of Flanders had involved a large outlay. When money was needed suddenly in 1588, the foreign loan-market was closed to Elizabeth; and, owing to the crisis, she found it difficult to borrow enough at home. Hence funds were wanting to drive home the victory, which had been obtained at an outlay of only £161,185 . . . 64.

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War expenditure increased greatly after 1588, and the burden of direct taxation was heavier, even when allowance is made for the easy methods of assessment. Yet the parliamentary grants only paid half of the Extraordinary Expenditure from 1588 to 1603, the other half being met from the surplus Ordinary Revenue and other sources. Much of the increase in the Ordinary Revenue was due to augmented duties or to a more rigorous collection of existing indirect taxes, which eventually involved a further burden on trade. By 1591 many ships had been captured, and foreign trade was greatly restricted. Privateering was less profitable, and expeditions became fewer. The decline in privateering, added to the error in a disproportionate outlay on land operations, tended to prolong the war with Spain.

Trade was also depressed by the bad harvests from 1594 to 1597, and there was great distress in 1597. Privateering revived; this, however, was offset by losses of shipping. The maximum of the depression was reached during the plague of 1602-3. The Levant company suffered from the war and was reorganized, but as a regulated company. The foundation of the East India company in 1600. The Russia company was in difficulties through want of capital and internal disputes—its profits. Operations of the Mines Royal were impeded by scarcity of funds. The society of the Mineral and

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The preoccupation of the government during the war with Spain caused a relaxation in the supervision of home affairs. By 1597 there were complaints of "the enormities" of monopolies. Elizabeth promised that monopolies should be tried by law. Coke's opinion on the prerogative in relation to monopolies. Many patents were defensible as grants, but there had been abuses by the agents of the patentees in certain instances. Difficulties had been placed in the way of trying some patents; and, in 1601, the Commons considered monopolies a grievance. Monopoly defined as an exclusive grant to an individual, hence there was no enquiry into the privileges of the Mineral and Battery Works and of the Levant company. The report of the Committee dealt with—(a) licenses relating to home and foreign trade, some of which were relaxations of existing restraints of trade, (b) copy-rights, (c) privileges to sow hemp, flax and woad, (d) grants relating to munitions of war, (e) luxuries, (f) manufacturing privileges, (g) grants for personal reasons—Raleigh and tin-mining. The gun-powder patent was objected to on the ground of the inconvenience it caused householders. The gold and silver thread and dice patents—the latter had been tried at law in 1597, but Elizabeth intervened. The industrial monopolies—the starch patent, how financed, arbitrary action of searchers; the *Aqua Vitæ* patent; the paper patent and the supply of rags, Bacon arbitrated. Alleged rise of prices through patents for drinking glasses, stone bottles and steel. These were newly established industries, hence there was an element of protection in the encouragement of them. Summary of the position of monopolies in 1601.

The parliamentary enquiry of 1604 related to monopolies granted to corporations for foreign trade. Sandys' "Instructions" for "the free exercise of industry" and against "a monopolizing foreign traffick." The *bona fides* of this document discussed in relation to Sandys' part in the proposed tobacco monopoly of the Virginia company. Many of the statements in the "Instructions" are false or perverted. This document favoured the regulated, as against the joint-stock company. Monopolies for the life of the discoverers of a new trade were approved—application of these principles to the Levant company. The case of the Spanish company. The state exercised its supervision of foreign trading monopolies in a wrong direction. Sandys attacked the Russia company—its legal position and discoveries; the points in its favour and against it 105

CHAPTER VII. BRITISH COMMERCE AND FINANCE FROM THE PEACE OF 1604 TO THE CRISIS OF 1620.

Trade began to revive in 1604 after the peace, when markets, closed during the war, were re-opened. Returning prosperity showed itself in an increase of population and a rise in the standard of living, also in an advance in the receipts from Customs. The progress of joint-stock companies—the East India and Russia companies were making large profits, the African trade

was re-opened in 1618. In colonization, two Virginia companies were incorporated in 1606, the Bermuda company in 1611, the Guiana company in 1619, the New England company in 1620 and the New Scotland company in 1621. In the home trade there were the beginnings of the Irish society in 1609, the foundation of the New River company and large silver discoveries in Wales by a subsidiary company of the Mines Royal society.

The provision of capital for commerce was largely conditioned by the state of the Crown finances. James I. often showed considerable insight, but he was deficient in the more practical qualities. The Crown spent more in his reign, when the country was at peace, than Elizabeth had needed in time of war. By 1606 the debt was £735,280. The increased expenditure was caused in part by payments to courtiers; and, in addition, privileges were granted to individuals which gave rise to new and objectionable monopolies. In 1608 the debt had grown to £1,400,000, and the attempt to reduce it involved the new impositions. Parliament investigated these, together with other burdens on trade, such as the taxes on coals, currants, wines and hides. The East India company and the pepper tax. Failing sufficient grants from Parliament, there were various projects to improve the revenue.

The activity of trade culminated between 1613 and 1615—money was plentiful everywhere except in the Exchequer. Loans were obtainable by the chief companies at 9 per cent. and sometimes at 8 per cent. Foreign trade was flourishing—from 1609 to 1613 the East India company made total profits of 121½ per cent. to 234 per cent.; while, in 1613 and 1614, the Russia company paid two dividends of 90 per cent. each. There were two hindrances to the continuance of the prosperity—the competition of the Dutch and the condition of the Crown finances. James I. attempted to obtain revenue from the cloth trade by the export of dyed, instead of undyed cloth. The promoters of the scheme anticipated a profit of £600,000 a year, of which the Crown was promised £300,000. The great gamble in the cloth trade was begun by the establishment of the New Merchant Adventurers in 1613. The scheme failed totally, exports of cloth declined, and this trade experienced a crisis in 1616. This crisis did not become general, partly owing to the re-establishment of the Merchant Adventurers, partly through the success of the new foreign and colonial trades. From 1608 to 1615 the Russia company distributed 339 per cent., while the First Joint-Stock of the East India company divided 87½ per cent. from profits, making a total estimated profit, since 1600, of £1,028,281. These results compared with those of the Dutch East India company. The rate of the English company per cent. was higher, but the Dutch company had a larger capital, and besides it expended undivided profits in improving its trade—a policy which could not be carried out by the English company owing to its terminable stocks.

The Scottish whaling and India company received a Scottish charter in 1617—the legal position as between it and the East India and Russia companies. The two latter purchased the assets of the Scottish company and formed a joint-adventure for whaling. The Second Joint-Stock of the East India company was floated successfully in 1617. Capital in 1618 was apparently plentiful, but the real reason of the quantity of funds seeking investment was the depression in the cloth trade. The repayment of advances by Holland produced a temporary improvement in the Crown finances. The grants of James I. were becoming a serious burden on industry, through the sums

exacted from the mercantile classes by courtiers. Some of the patentees began to use their privileges in compelling persons in allied trades to compound with them. 129

CHAPTER VIII. THE ORGANIZATION OF THE JOINT-STOCK COMPANY FROM 1600 TO 1620.

Early in the seventeenth century there was a standard type of incorporation. Most companies were controlled by governors and assistants, the number of the latter being twelve or a multiple of twelve. There were several points of contact between regulated and joint-stock companies. The struggle between a temporary and a permanent capital in companies—the prevalence of the former explains the payment of divisions, as distinguished from dividends out of profits. This method was convenient in the plantation companies, where the shareholders received a division in land. Even in the East India company, there was a tendency against a temporary capital, while companies for the home trade had a permanent capital. There was difficulty in obtaining capital owing to the fixing of the number of shares—attempts of the East India company to procure subscriptions. Shares of small denominations were introduced and also of different values, but without priority as to dividend—progress towards the idea of a capital-stock in the East India company 1613–17.

Methods of deciding the distributions to be paid to shareholders and the formulæ by which they were described. The meaning of a division of “a capital” by the East India company and the magazine of the Virginia company. The introduction of the term capital into accountancy is probably traceable to Italian influence. The need for a special name became clearer as the ambiguity of “stock” was recognized. Divisions, in terms of “capitals,” must be regarded from the contemporary point of view.

How far were there public subscriptions of capital and a free market in shares?—sales of shares “by inch of candle” and the prices obtained in relation to the divisions. Peace or dissension in the management of companies depended on the state of the finances. Regulations determining voting qualifications and the quorum. Payments made to the governor and assistants. In 1609 the governor of the East India company threatened to resign unless his *honorarium* was reduced by more than one-half. The mutual relations of companies—monopolies were, in reality, often confined to the trade-route, hence at one time, in some respects, the Russia, Levant and East India companies were in competition. On the other hand, there were cases of community of interest—(a) the Mines Royal and the Mineral and Battery Works, (b) the Russia, Levant and East India companies in relation to the proposed discovery of a north-west passage, (c) the proposed amalgamation of the English and Dutch East India companies, (d) the absorption of interloping expeditions by chartered companies 150

CHAPTER IX. THE CRISIS OF 1620–1625.

The disturbance of the cloth trade might have caused a crisis in 1616–17. The activity of new foreign trades tended for a time to postpone the depression. By 1620 the competition of the Dutch had reduced profits, and the

East India and Russia companies could not pay their debts. The crisis was marked by great depression in the cloth trade and in agriculture. There was much unemployment, a high rate of interest and numerous bankruptcies. Popular opinion regarded the crisis as a monetary one, but this analysis was superficial—the true position of international indebtedness. The deferred effects of the interference with the cloth trade and the reaction on trade of the bad state of the Crown credit.

Parliament sought to remedy “the scarcity of money” by various recommendations. The scheme to prevent export of bullion by importing tobacco from the plantations, instead of from Spain. That “an Imperial preference” was not intended is shown by contemporary proposals for restricting imports from Scotland and Ireland. Investigation of grants made by the Crown—patents for the delegation of administrative functions, *e.g.* registration of ale-houses—increase of licenses and at the same time hardships inflicted on inn-keepers. Industrial monopolies—the iron-smelting and glass patents, lighthouses, the lobster grant, the linen-printing company, the gold and silver thread patent. The latter resulted in very many abuses. A “bill against monopolies” introduced in 1621. The East India company criticized for exporting bullion. The position of the African company from 1621 to 1624. The finance of the Russia company was described as involving “gross juggling.”

Partial failure of the harvests of 1622 and 1623, followed by the plague in 1625, tended to delay a recovery of trade. Industry was burdened through the financial mistakes of the Crown and the monopoly of the Merchant Adventurers. The crisis of 1620–5 marked a stage in the history of the plantation companies. By 1625, many of them had made land-divisions, and some had come to an end. The capital outlay to 1624, on founding the British Empire in America, may be estimated at £300,000; while shareholders in the companies obtained land at about 2s. 6d. an acre 166

CHAPTER X. FROM 1624 TO THE CRISIS OF 1630.

By the summer of 1625 trade had begun to improve. The years 1625–30 were only fairly good, the cloth trade was better, but it had not regained the prosperity of 1610; the East India and African trades, while showing some recovery, remained depressed. Reviving trade was checked by the state of foreign politics, which caused a fresh strain on the finances. The views of the Crown and Parliament, as to the scope of the projected hostilities, were essentially divergent—James I. asked $\frac{1}{10}$ ths and $\frac{1}{12}$ ths; but Parliament only granted $\frac{3}{10}$ ths and $\frac{3}{12}$ ths. Charles I. failed to obtain sufficient parliamentary grants for the war, and in 1626 he levied a compulsory loan, but in 1628 there was a deficiency of over a million on the war-expenditure. The subsidies of 1628 and other receipts would have reduced this deficit, had it not been that part of the Ordinary Revenue was precarious, through the effect of the tonnage and poundage dispute on the finances. Position of companies in 1629–30—the Russia company, having re-adjusted its finances, was more prosperous, the development of colonization, new plantation companies, the Second Joint-Stock of the East India company, the Mines Royal, the Mineral and Battery Works.

Disputes about tonnage and poundage tended towards depression of trade—want of employment in the cloth trade in 1630. A short crisis in

1630 came to an end on the announcement of the peace with Spain. The dividends, paid by the English and Dutch East India companies from 1618 to 1630, compared. The consequences of their respective financial policies reacted on the question of monopolies for foreign trade. It is possible that the financial methods of the English company were due to its relation to the Stuarts and the pressure exerted on it by the Crown . . . 186

CHAPTER XI. THE DELEGATION OF INDIRECT TAXATION BY THE CROWN TO MONOPOLISTIC COMPANIES, 1630-40.

In 1631 the prospects for investment were considered favourable. The Greenland and Russia companies were making profits; the position of the East India company and the foundation of a new African company. Colonizing was progressing—the Massachusetts Bay company, the settlement of the West Indies, the Mosquito Islands company. In the home trade the Mines Royal and Mineral and Battery Works were still in existence, and several companies were formed for the drainage of land. A British Fishery society was established in 1632, to which subsidiary associations were affiliated.

The personal government of Charles I. had consequences which tended towards the restriction of commercial activity—religious disputes caused emigration and the tonnage question remained unsettled. The Crown finances became involved, owing to the cessation of subsidies. Various plans were devised to create revenue to meet the deficit. Companies, being exempt from the Monopoly Act, were formed to a considerable extent, on condition they should pay substantial sums to the Crown—the coal, the salt and the soap monopolies. These were expected in 1635 to produce £80,000 a year for the Exchequer, but that amount was obtained at a cost of between £200,000 and £300,000 to consumers. This method was essentially wasteful, indirect taxation. By 1636 trade had become dull—the soap monopoly affected the Greenland company, while the salt monopoly injured the Fishery society. The East India and New River companies were prejudiced by the encouragement of rival undertakings by Charles I.

In 1637 trade was depressed—the parallelism between 1610-20 and 1630-40. Further attempts to obtain revenue from monopolies—the Soap-makers company, the wine, currant, starch and coal monopolies. From these £200,000 a year was payable to the Crown, which cost tax-payers at least £750,000 a year in a rise of prices and aroused great indignation. By 1640 the government of Charles I. was bankrupt—the seizure of pepper from the East India company and of bullion from the Mint, the latter caused a serious crisis.

Summary of the position of joint-stock companies from 1630 to 1640—the East India company made smaller profits than the Dutch company. Failure of the African, Greenland, Fishery and Russia companies. A subsidiary company of the Mines Royal was succeeding, progress of the New River company, state of the Mosquito Islands company. The nature of the internal organization of the monopolies—its points of contact with both the regulated and joint-stock company. Subsidiary associations were constituted without charters, and the style “A. B. and Co.” began to appear. In the Fishery and Mosquito Islands companies there was an approximation

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Political unrest precluded a trade-revival after the crisis of 1640. In 1642 the cloth trade was very depressed, and the situation became worse on the outbreak of the Civil War. The finance of the struggle involved a great drain on the capital of the country. The appointment of finance committees led to waste and a grave burden of debt. Parliament was prepared to grant encouragement to the Merchant Adventurers, the Levant and East India companies. Hence it appears there was a consensus of opinion, between 1640 and 1650, in favour of monopolies for foreign trade. But the companies favoured had lent money to the State—others, that made no loans, received no privileges—*e.g.* the Russia company. The great monetary stringency resulted in an economizing of currency and the organization of credit through the rise of banking about 1645. This phenomenon is evidence of a mitigation of the depression, but in 1646 there began a great dearth, and, at the same time, foreign trade suffered by the depredations of privateers. The disorganization of production had reacted still further on the wool trade, and there was widespread poverty and distress. The Civil War and bad trade made this period one of great depression for the joint-stock companies—the Russia, African, Greenland, Mines Royal, Mineral and Battery Works and East India companies. The financial difficulties of many companies were attributable to the want of reserve funds. Consequences of the expulsion of “delinquents” from joint-stock and regulated companies and the slower recovery of the latter 230

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Reviving commercial activity showed itself in new schemes. The shortage in the settled revenue led to an increase of banking transactions. Scotland and the Plantations were developed. With the beginning of the Dutch War there came a crisis, which was intensified by the Great Fire and the appearance of the Dutch fleet in the Thames. The financing of the war injured the credit of the Crown. The run on bankers resulted in a panic in June 1667—magnitude of distress after the crisis—"the infinite wants of all men." Effects of the crisis on joint-stock companies—difficulties of the African and Fishery companies, reasons for the large dividends of the East India company.

Revival of trade after the war—an insurance office and a mining company founded, Scottish companies established. Various indications of commercial progress between 1667 and 1671. The African company reconstructed, the position of the East India company shown by its dividends and prices of stock, comparison with the Dutch company. Development of the internal affairs of companies—form and methods of transfer of stock, the principle of a maximum vote.

The Crown finances again reacted on trade—the growth of the debt, and Crown property sold to obtain funds. The advisers of Charles II. planned to commit England to a war with Holland by seizing the Dutch Levant fleet. In order to procure funds, payments out of the Exchequer were stopped in 1671, with the result of a crisis in 1672 involving the failure of many bankers and widespread ruin 263

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After the Peace with Holland there came a great trade revival. Existing companies were more prosperous and several new inventions were made—a discount-bank in existence in 1676 and a land-bank proposed. The rebuilding of London had aided the water-supply companies—position of the New River company and the foundation of the York Buildings company. Petty's *Political Arithmetick* showed the progress made since 1665.

Different views of Charles II. and Parliament on foreign policy affected the finances, and the revenue was heavily anticipated, while salaries had fallen into arrear. Fears of war with France, together with disclosures concerning the Popish Plot, caused a minor crisis in 1678. The attempt to rehabilitate the finances was aided by the advance in the settled revenue through the activity of trade—new inventions and the progress of the Milled-Lead Adventure. Statistical data showed industrial progress—the development of credit and banking. The East India company borrowed at 3 per cent., reasons of a low rate of interest when trade was active. A private fire insurance undertaking transferred to a joint-stock company, and a postage company established (1680), scheme for infant insurance by the State, the Shadwell water company founded. In Scotland a cloth manufacturing company was started in 1681—its minutes, differences as between England and Scotland in the organization and privileges of companies. Position of companies already established—the Royal Fishery company had sold its remaining assets, but it was succeeded by an unincorporated company. The East India, Royal African and Hudson's Bay companies had made large profits. The dividends of the English and Dutch East India companies compared, also the quotations of their stocks. The East India company divided a scrip-bonus of 100 per cent. in 1682—the danger of this course was shown during the crisis of 1682, when the company was forced to suspend payment.

Since 1678 trade had been less active—dissatisfaction concerning the decline in exports of cloth and the increase of imports from France. The Merchant Adventurers and Levant companies were in difficulties; the attack of the latter on the East India company. In 1686 the cloth trade experienced a crisis, which was intensified by the failure of the City bank, which involved "the Orphans' Fund," whence there was great distress . . . 288

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The political situation from 1682 to 1688 had different effects on the foreign and home trades, respectively—the dissolution of the Bermuda company (1684). The attitude of Parliament kept the Crown expenditure relatively low, and the restoration of credit was helped by the continued improvement in the settled revenue, independently of the new duties on French goods. The arrival of the Huguenots made great additions to the immaterial and material wealth of the country—foundation of the White Paper, Linen and Lustring companies (1685-7). The City and Friendly Fire Insurances started, also the company for making Salt Water fresh and the Convex Lights company. Summary of progress in 1688 according to Davenant, Gregory King and Petty.

The prosperity to 1688 was largely due to foreign trade—from 1683 to 1692 the East India company divided 400 per cent. on the original stock. The position of an adventurer of 1658 reconstructed in each of the chief foreign trading companies. This result was important in the parliamentary struggle from 1689 to 1698 with reference to privileges for foreign trade. The opponents of the East India company received an accession of strength from dissident stockholders, who sold out at high prices with a view to buying back at par or less, and of deposing Child from the position of governor. Up to 1693 the opposition was apparently successful, but it failed in securing a sufficient modification of the voting power for its purposes. Hence the campaign developed in the direction of the overthrow of the company, and in 1698 the New Company was incorporated; but the Old Company took up stock in the former and was thus entitled to a reduced trade. These events, together with the foundation of the Darien company, resulted in a great depreciation in the price of stock of the Old Company—the total capital of foreign trading companies and its market-value 1689–94	311
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A period of speculative activity began with the success of the Phipps treasure-seeking expedition of 1687–8, the shareholders in which received a division of 10,000 per cent.—the organization and finance of similar ventures. Up to 1695 about 150 companies are known to have been formed. The causes of these promotions are connected with the French war—(a) to produce commodities which could not be imported, (b) to provide munitions, (c) to aid in financing the government. From 1692 prices of stocks were regularly quoted, description of the different types of Houghton's list—its peculiarities and ambiguities. The total capital invested in companies, existing in 1695, is estimated at $4\frac{1}{4}$ millions—the relation of this figure to that of wealth employed in trade.

Houghton's description of a typical promotion of the period shows that the obtaining of a charter was not essential; but, in special instances, these instruments were sought, and acts of Parliament obtained. The English and Scottish models of company-government differed; numbers of officials, of the quorum; amount of qualification. The rival principles of a maximum vote and the sliding scale. In industrial companies the capital was divided into shares, the usual denominations of these. Some typical promoters' profits analyzed. The remarkable reluctance of shareholders to pay calls. Relations between the governing body and the shareholders were sometimes very cordial, but there are cases of abuse of trust. Exceptional characteristics in promotions, e.g. the promising of dividends to charity or of limited liability. The glamour of "a fund of credit" misled certain companies. Examination of the general level of prices of manufacturing companies' shares, from 1692 to 1694.

As the pressure of war-taxation grew greater, markets became less active—the adverse state of the foreign exchanges, the re-coinage, the run on bankers and the suspension of the Bank of England (1696). The crisis continued till March, 1697, owing to pressure of war-expenditure, which resulted in a dangerous addition to the unfunded debt. The engraftment of tallies into

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CHAPTER XVIII. JOINT-STOCK COMPANIES FROM THE CRISIS OF 1697 TO THAT OF 1708.

Credit improved on prospects of peace—rise in the stocks of the Bank of England and the Hudson's Bay company. The chief causes which led to the failure of many of the companies founded before the crisis, out of the whole number 28 per cent. to 29 per cent. are known to have been in existence in 1698. "The pernicious art of stock-jobbing" was condemned by the Commissioners of Trade, but the available information does not justify the charge against promoters or dealers in stocks. While dealings in stocks had become highly organized (*e.g.* bear sales and options were common) the movements in shares of manufacturing companies are to be assigned to causes other than market-manipulation. Nor is there evidence of fraudulent promotions; on the contrary most of the founders of companies held their shares. Stock-jobbers, in fact, were made scape-goats, and their business was subjected to several restrictions.

A time of prosperity began in 1697 and continued till 1700—agriculture and shipping were good, while foreign trade expanded. Attempts were made to settle the African and East India trades. In the former a system of licenses was adopted; while in the latter the act of 1698 (founding the New Company) was virtually a compromise, giving scope for the independent trader, the regulated company and the joint-stock company. New enterprise from 1697 to 1700 manifested itself chiefly in the direction of provident schemes. As a contrast, the Mine Adventurers company was floated by an ingenious lottery. The gradual emergence of different classes of shares, so that by 1700 the division of capital into debentures, preference and ordinary shares had been, to some extent, anticipated.

Early in 1701 fears of war and the struggle between the East India companies resulted in a crisis, when several bankers failed, and stocks fell 34 per cent. to 53 per cent. Since 1698 the Old Company had improved its position, and in 1702 an agreement was signed, which was intended to bring about an eventual amalgamation of the companies. In 1702 the Sword Blade company had started its land-development undertaking, and in 1703 the London Bridge water works and the City Conduits were amalgamated.

Trade and credit were good from the summer of 1701 till 1704. Though the number of companies was smaller, the capital was larger than in 1695—in 1703 the share capital was 8½ millions, with bonds it may be calculated at 10 millions. The strain of the war made itself felt at the end of 1704—in Scotland there was great depression through the failure of the Darien company and bad harvests, hence the Bank of Scotland suspended payment. Friction between England and Scotland produced an unsettling effect, and the dividend of the Bank of England was reduced in 1705 and 1706, while in the latter year its stock was below par. The crisis of 1706 affected the banking activities of the Mine Adventurers and the Sword Blade company; while the African company, after having paid dividends out of capital, was unable to meet the interest on its bonds

CHAPTER XIX. THE AMALGAMATION OF THE EAST INDIA COMPANIES, THE RE-ORGANIZATIONS OF THE ROYAL AFRICAN COMPANY AND THE MINE ADVENTURERS, AND THE CRISIS OF 1710.

Hopes of an early peace and relief from anxiety concerning the situation in Scotland brought about an improvement in credit. The Union produced striking consequences on Scottish companies—cloth factories suffered, but the Bank of Scotland was successful, while the repayment of the capital of the Darien company was beneficial. The better times enabled important financial operations to be carried out—the extinction of the engrafted stock of the Bank of England and a new issue of capital. In the East India trade no less than seven distinct stocks were merged in that of the United company. Reliance on “a fund of credit” had diminished the working capital of this trade, since the funds subscribed were used by the State. The outcome of an investment in India stock depended on the time when a purchase was made—the gains and losses of various classes of investors. The re-organizations of the African company and the Mine Adventurers were related to peculiarities in the finance of these bodies—the position of an original investor in the former.

The prosperity from 1708 to 1710 is shown by the increase of dividends of the Bank of England and the East India company, but the war forced enterprise into new channels, the chief of which was speculative insurance. The Amicable Society and the Sun Fire Office were founded in this period, and in addition a very great number of dividend-societies. The latter encouraged gambling and led to fraud. The government objected to the diversion of capital from its own lottery-loans, and the prohibition of gambling insurances was one cause of the crisis of 1710. Also, the cumulative burden of war expenditure was now making itself felt, and there was a large addition to the floating debt. Prices of government stocks fell heavily, until, in some cases, the discount was 40 per cent.

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CHAPTER XX. FROM THE RETURN OF CREDIT IN 1711 TO THE CULMINATION OF THE BOOM IN JUNE 1720.

Prospects of peace and the funding of the floating debt, through the foundation of the South Sea company in 1711, tended towards a restoration of credit. An unfounded rumour of the death of Anne resulted in a small crisis early in 1714—comparison of the fall of stocks in 1710 and in 1714. For the year, August 1714 to August 1715, trade was active; but a check came through the Rebellion—fall in stocks. Business was good till the end of 1717. The capital of companies in 1717 was 20½ millions. Fears of a rupture with Spain led to two minor crises in 1717 and 1718.

The check to activity made capital appear plentiful, and the rate of interest was low. The importance assigned to “a fund of credit,” tended towards speculative activity in the form of financial operations. Law’s Mississippi scheme was at once a consolidation of French foreign trade and a conversion of the debt. Through expectations of great profits on the series of operations, the shares of the company advanced immensely. Though the South Sea conversion and the speculation in the shares of this company

appear to be a reflex of the French "system," it developed, to a large degree, independently. As early as October 1719, there was considerable speculation in London; and, before the end of the year, several large fishery, insurance and finance companies had been promoted. In November plans were under discussion for the conversion of the National Debt into the stock of a trading company—the rivalry of the Bank of England and the South Sea company, in which the latter was the victor.

The system of conversion by the South Sea company depended for its success in the obtaining of a surplus of *issuable* over *issued* stock, and the amount of that surplus was determined by the premium on the stock. The growth of speculation in the shares of fishery and insurance companies in January and February 1720 made the directors of the South Sea company apprehensive that the available capital and credit would be consumed by these ventures, and steps were taken to check new promotions. In May the terms for the first series of conversions were announced, and South Sea stock was quoted at 400, while there was great activity in new promotions. The boom culminated in June, when South Sea stock touched 1,050. The market was then an artificial one, the company having made large advances on its own stock. New companies were still floated in large numbers—the capital, offered from June 4th to 11th, being estimated at 224 millions. Companies were prohibited from acting without a charter or under an obsolete one, with the result that speculation became concentrated—instances of great premiums on popular stocks, some of which were 10, 15, 20, 25, 35 or 60 times the amount actually paid up

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CHAPTER XXI. THE COLLAPSE OF THE BOOM OF 1720.

The intensity of speculation in the summer of 1720 had subjected credit to a severe strain. The inflation was maintained till August when further conversions were made. In order to divert capital from new promotions, the South Sea company caused a writ of *scire facias* to be issued against the Royal Lustring, the English and Welsh Copper, and the York Buildings companies. The issue of the writs resulted in a great fall in the shares of these and other new companies, which reacted on South Sea stock—the fall in a month (August 20 to September 19) being 450. The attempt of the Bank of England to arrest the panic was frustrated by the failure of the Sword Blade bank. In the last days of September the panic was at its worst, and the fall of stocks continued—the amount of the depreciations from June to December.

The crisis affected different groups of companies in different ways. Finance companies suffered most—effects on the Million bank and the York Buildings company, the position of the South Sea company, where the nature of the settlement was the touchstone of the national honesty. The Bank of England, too, was influenced by the fund of credit fallacy. The Royal Exchange and London Assurances experienced a period of financial stress, while the Sun Fire Office rearranged its capital. An attempt was made to force the Bank of Scotland to engraft equivalent debentures into its capital. Of the companies named in the writ of *scire facias*, the York Buildings, the English and the Welsh copper companies continued to transact business—the fate of other mineral companies after the boom. Water supply companies were little

affected by the panic. The boom involved the directors of the East India company in many anxieties, while the African and Hudson's Bay companies issued further capital, the one too early and the other too late.

The panic of 1720 determined the position of the joint-stock system during the ensuing century. The cause of the break-down of credit was found in stock-jobbing and efforts were made to suppress it. After 1720 companies were required to obtain a charter, and these instruments were granted rarely. Hence the inflow of capital into industry by means of the joint-stock system was restricted, until unchartered companies were permitted early in the nineteenth century 422

CHAPTER XXII. REVIEW OF THE JOINT-STOCK SYSTEM FROM 1553 TO 1720 : WITH A NOTE ON THE CRISES DURING THAT PERIOD.

The increase in the amount of capital employed by the joint-stock system was striking. From 1553 to 1560 it was under £10,000, while in 1720 the sum actually paid in may be estimated at 50 millions. The ratio of these figures to the national wealth and to trading capital estimated. The progress of companies is closely connected with the progress of English marine enterprise, with early colonization, with the extension and consolidation of distant foreign trades, with the organization of credit and with the prosecution of new manufactures.

The reasons for the success of the joint-stock system were (1) that it broke down the quasi-monopoly of mercantile capital, as such, (2) membership of a joint-stock was more easily obtainable than that of a regulated company—the relatively free market for shares, (3) the advantage of the union of different classes in early joint-stock undertakings, (4) the comparatively high profits which were earned on the whole. Adam Smith held that there were serious counterbalancing disadvantages. Adam Smith's historical data examined—his charges of "waste and profusion" against the East India company, errors in his account of the early history of the company, and his tendency to assume financial failure, when profits were made. The assumption—that the interest of the managers was not sufficient to induce care and attention—investigated, and shown to be erroneous in the case of the early history of the East India company. A. Smith confused the ratio of a qualification to the whole capital with that of a qualification to the manager's total wealth. When A. Smith compared joint-stock with individual management in interloping expeditions, he was ignorant of the fact that important ventures of the latter type were organized by joint-stock companies. A. Smith admitted the necessity of fortifications in some foreign trades, but the plea for liberty of trade, which he endorses, was often a disingenuous effort by the unscrupulous to obtain the benefit of outlay by others without making any return. In several distinct ways there was scope for an enterprising merchant in a foreign trade where there was a monopoly. The possibility of defence of a foreign trade being undertaken by the State and of the compensation of the founders of it—various considerations show that this course was impracticable in the seventeenth century. The problem—whether England was "ripe" for the East India trade early in the seventeenth century

—discussed. While several considerations point to this trade having been perhaps opened too soon, there was compensation in a reduction in prices.

A. Smith considers the joint-stock system only applicable in industries where there was a routine, *e.g.* banking, insurance, water supply and inland navigation. But from 1694 to 1720 banking and insurance were in a purely experimental condition and routine was impossible. On the contrary, joint-stock companies were found applicable in new industries, in those where there was a large risk or where large capital or large credit was required. The development of the system in dealing with these was marked by the evolution of methods for managing the capital and for representation of the members.

The charge—that the formation of companies increased the risk of crises—examined. There is an apparent symmetry in the crises from 1559 to 1720 which is interesting, but does not represent the whole truth—a more complete list of crises. Traces show themselves of an incomplete decennial periodicity, but these are too broken to be of value. Theories of crises examined in relation to the period 1559 to 1720—"sun-spots," agricultural scarcity, over-speculation, over-production, the Psychological theory. Early crises are assignable to the concurrence of objective and subjective conditions. The necessity of forecasting the future. An inaccurate forecast, on a sufficiently large scale, often led to a crisis—instances of this. Once a tendency towards good trade or towards bad trade had established itself, it tended to persist. At first the development of banking and the extension of credit made crises more frequent, the publication of commercial intelligence in the Press produced similar effects. In the sixteenth and seventeenth centuries the objective causes of crises were, on the whole, more important than the subjective causes, but this was a temporary condition, and at a later period the latter influences have become more powerful . . . 439

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PART I.

CHAPTER I.

THE VARIOUS LINES OF ECONOMIC DEVELOPMENT WHICH CONVERGE IN THE FIRST ENGLISH JOINT-STOCK COMPANIES.

THOUGH it is not possible to discover instances of the joint-stock company in England before the middle of the sixteenth century, it must, at the same time, be recognized that before that date there were tendencies which would make its ultimate establishment inevitable. In the Italian states, organizations of a similar character had been in existence early in the fifteenth century, if not before that time¹. Prominent amongst these was the Bank of St George at Genoa, which had been constituted by 1407². When the importance of Italian finance in England at an early period is remembered, allowance must be made for the possibility that, when the time was ripe, the method of constituting a company might have been copied, and that, when an organization of this type was at length founded, it would be, in its main essentials, an importation from abroad and not an indigenous product.

Further, should the whole mechanism not be transported bodily from outside, there were two main lines of development, which by their union, or again by the gradual extension of either, might result in the formation of a joint-stock body. These were the mediæval partnership and the growth of the idea of a corporation. With reference to the first of these, the canonist doctrine on the use of capital discouraged loans, while it encouraged partnership³. There were the *Commenda* and

¹ *Universalgeschichte des Handelsrechts*, von L. Goldschmidt, Stuttgart, 1891, pp. 293-7; *Studien in der Romanisch-Kanonistischen Wirthschafts- und Rechtslehre*, von W. Endemann, Berlin, 1874, i. pp. 432, 433. In Germany mining partnerships, with transferable shares, were common in the fifteenth and early sixteenth centuries.

² *Histoire de la Banque de Saint-Georges de Gênes*, par le Prince A. Wiszniewski, Paris, 1865, p. 22.

³ *The Growth of English Industry and Commerce during the Early and Middle Ages*, by W. Cunningham, Cambridge, 1905, p. 367.

the *Societas*¹, both of which were in frequent use on the Continent. In England the latter, at least, must have been understood, since there are numerous references which point to associations of this type having been introduced by foreigners in their financial transactions. Thus in 1284 there appeared in London Simon Gherardi della compagnia di Messer Thomaso Ispigliati e di Lapo Ughi Spene, in 1296 Boniface recommended to Edward I. certain merchants *de societate Riezardorum*. In the fourteenth century mention of the *societas Bardorum* and of the *societas Peruzzorum* becomes frequent, while the context shows that this term was not used in a vague general sense, but as implying distinctly that these *societates* were partnerships. For instance, in 1312 Stephanus Peruzzi undertook certain obligations, *nomine suo et ceterorum sociorum de societate Peruzzorum*². It might be supposed that, when there came a time at which English capital began to be used in enterprizes of magnitude, the model of the *societas* would be adopted; but, before that stage had been reached, the influence of Italian bankers in London had greatly declined, through the failure of the Bardi and some other firms in 1345³. It follows that, when a considerable capital began to be needed to develop English industries about the middle of the fifteenth century, it was unlikely the methods, adopted in the management of it, would be copied from the Italian *societas*. By that time the corporate idea had developed in such a manner as, temporarily, to check the extension of partnership, with the result that the union of the two principles was postponed.

To understand the reaction of the corporate idea on that of partnership, it is necessary to trace with some detail the growth of the former. The beginnings of this development are to be found in the Anglo-Saxon and Anglo-Norman gilds. From these bodies a number of institutions have been derived by a gradual process of differentiation; and, in many cases, the stages of the evolution have been carefully traced. Accordingly, it will be necessary to bring to light only those characteristics of the gilds, which reappear in the early joint-stock companies. First

¹ Both were forms of the mediæval partnership. In the *commenda*, in its earlier form which is traceable in foreign trade, the *commendator* provided the capital and the *commendatarius* managed the investment. In the *societas*, the *commendatarius* contributed a portion of the capital. The development of the system is explained in *An Introduction to English Economic History and Theory*, by W. J. Ashley, London, 1893, I. (Pt. II.) pp. 411-21.

² *Fœdera*, edited T. Rymer, London, 1705-8, II. p. 705, IV. p. 387; *Historical and Chronological Deduction of the Origin of Commerce*, by A. Anderson, Dublin, 1790, I. p. 411; Goldschmidt, *Handelsrechts*, p. 275; H. Sieveking, *Die kapitalistische Entwicklung in den italienischen Städten des Mittelalters*, in *Vierteljahrschrift für Social- und Wirthschaftsgeschichte*, VII. p. 78.

³ *Alien Immigrants to England*, by W. Cunningham, London, 1897, p. 76.

amongst these is that of the germ of the conception of "perpetual succession." In a gild, established before the Norman Conquest at Abbotsbury by Orey, property was granted for the gildship "to possess now and hence-forth," thereby implying that the body was to continue indefinitely as the owner of the premises devised¹. Subsequently, the ideal of continuity becomes more explicit, some fellowships were founded "evermore to lasten" and others "to abyde, endure and be maynteyned withoute ende²." Visible expression was given to the corporate character by the use of a common seal. It seems probable that this usage grew gradually. Some method was required by which the act of the whole body could be identified. At first the seal of some well-known personage was appended to documents—as for instance, in the case of the Fullers' Gild of Lincoln, which is said to have been founded in 1297, the ordinances, approved in 1337, were, "at the special request of the bretheren and sisteren," sealed with the official seal of the Deanery of Lincoln, in order "to have the greater proof thereof in time to come³." In another early gild—that of the Blessed Virgin Mary at Chesterfield—the charters were kept in a box, under the private seals of the officials, to which later the common seal of the gild was added⁴. At the end of the thirteenth century and in the fourteenth, several fellowships had common seals—as for instance the gild of the Trinity at Worcester, that of the Holy Cross at Birmingham, that of Corpus Christi at York and that of the Palmers at Ludlow⁵.

From one point of view early gilds or "fellowships" were marked by the analogy to the family. The members were usually described as "bretheren" and "sisteren." Whether there was any conscious reference to an artificial family is not clear; but, on the other hand, there is ample evidence that there was a decided tendency to strengthen the solidarity of the members in every way that was possible. This tendency again was not only positive—it acted also negatively, in fostering a spirit of exclusiveness towards all outsiders. Even in those gilds that were purely social, in many cases, candidates for admission had to swear not to betray their affairs⁶. Thus the conception of the separateness of the fellowship grew up, and thence emerged the monopolies exercised by certain of the trading gilds.

¹ *Diplomatarium Anglicum Aevi Saxonici*, edited by B. Thorpe, London, 1865, p. 605.

² Shipmanes Gild, Lynn; Gild of the Purification and Gild of St Lawrence, Bishop's Lynn; Gild of St Katharine, Stamford; *Ordinances of Early English Gilds*, edited by Toulmin Smith, London, 1870, pp. 53, 89, 91, 188.

³ *Ibid.*, p. 181.

⁴ *Ibid.*, p. 168.

⁵ *Ibid.*, pp. 193, 207, 250.

⁶ Cf. Gild of the Holy Trinity, Cambridge: *Ibid.*, p. 267.

One element in the organization of the social gilds, was the series of regulations as to the management of their business and the control of members at the convivial and other meetings. As a rule, the government of these gilds was committed to an alderman, who was the chief official, one or more wardens or stewards, who had charge of the property, a dean or clerk, who summoned the brethren to the meetings and kept the register of members¹. This was the general type of organization, but there were a few exceptions. The gild of the Holy Cross at Stratford-on-Avon elected, not one alderman, but two aldermen²—a case of special interest, as it will appear that some of the early joint-stock companies had two chief officials³. In this gild, instead of the subordinate officers, there were selected six other brethren, to manage the affairs of the gild with the aldermen. Again, in the gilds of the Young Scholars and of Corpus Christi at York, the head in each case was described as the Master⁴. In two fraternities at Lincoln, the leading officer was named “the Graceman⁵,” while it appears that, in the gild of the Holy Trinity at Lancaster, the governing body consisted of “twelve good and discrete men,” elected annually⁶. This mode of controlling the affairs of the body suggests the beginnings of some species of committee or council, in addition to the officials, and further evidence is afforded by references to the choice of “two of the most discrete men of the gild to help” the alderman and stewards⁷. There is another form in which a group of this kind is common amongst the social gilds, namely as elective. While, in some cases, the alderman and stewards were chosen by the fraternity as a whole, in many others the procedure was more complex. The outgoing alderman nominated four or eight of the members, and these appointed the new officials⁸.

Two of the main activities of the gilds have some bearing on the early joint-stock system. They organized feasts and convivial meetings, and it will be found that this characteristic persisted. Thus—at times of rejoicing—the East India company was noted for its festive gatherings; and, on these and other occasions, there was a system of penalties for absence or for disorderly behaviour⁹. Then, in some instances, the gilds

¹ Toulmin Smith, *English Gilds*, pp. 3, 7, 9, 14, 15, 17, 19, 45, 47, 49, 54, 58, 60, 62, 64, 65, 67, 69, 71, 74, 78, 80, 83, 86, 89, 91, 95, 97, 100, 103, 106, 108, 114, 116, 119, 121, 122, 148, 149, 156, 160, 161, 165, 174, 176, 187, 263.

² *Ibid.*, p. 217.

³ *Vide infra*, II. pp. 38, 78, 386, 415.

⁴ Toulmin Smith, *English Gilds*, pp. 52, 141.

⁵ *Ibid.*, pp. 174, 176.

⁶ *Ibid.*, p. 164.

⁷ *Ibid.*, p. 156.

⁸ *Ibid.*, pp. 64, 74, 83, 89, 91, 97, 100, 119.

⁹ *Vide infra*, II. p. 96. The same custom was followed by the Sun Fire Office (*vide infra*, III. pp. 381–8). The sum allocated for the dinner in 1712 was 30s., which amount had been increased to £6 in 1715; in addition to this it was ordered that “what is drunk in the court room be paid for out of the public stock.” In

arranged processions with no little pomp and ceremony, and the same feature reappears at the beginning of the history of the Russia company—there, just as in the social fraternities, at the funeral of a member¹. It is to be noted also that, in another aspect of gild-life, there is something that was a remote preparation for the joint-stock body. This arose out of the benefit-side of these fraternities. Such activities involved the collective ownership of property by the gild, vested in, and managed by its elected representatives². That property was not necessarily used as capital, but in certain cases the gilds had a fund designed for loan, in the form of stock, to the brethren who were in need of such assistance, and much of the business at the Morgespreche (the prototype of general meetings) consisted of reports on the progress of these loans, over the employment of which the officials of the gild exercised a general supervision. As a consequence of this, the audit of accounts was a prominent characteristic of the proceedings³.

Very soon after the Norman Conquest there appears a new development of the gild-idea, in the institution known as the *gilda mercatoria*. This type of fellowship is distinguished from the social gilds in so far as it was directly related to trade, whereas in the latter such reference was accidental, rather than essential. In the gild merchant the conception of the corporate character becomes somewhat more explicit, though it must be recognized that, while social gilds, as far as is known, existed before the *gilda mercatoria* in England, later the two types of fellowship flourished side by side.

In view of the exceedingly narrow views on freedom of exchange of goods in the eleventh, twelfth and thirteenth centuries⁴, it was natural that the idea of exclusiveness, which has already been shown to have been inherent in the gild⁵, should result in the *gilda mercatoria* in the formation of bodies, which confined trade within the circle of their own members. Thus, in the gild merchant there was involved a monopoly, which came to be implied in the grant of the privilege of *gilda*

1714 it was necessary to make a rule, "to prevent feuds and quarrels," that no healths should be drunk at the dinner, with the exception of one for the prosperity of the office. The last official dinner of the company was held in 1873—*The Early Days of the Sun Fire Office*, by E. Baumer, London, 1910, pp. 22-4, 44.

¹ *The Diary of Henry Machyn*, edited by John Gough Nichols (Camden Soc., 1848), pp. 166, 170, 173, 236, 237.

² *Industrial Organization in the Sixteenth and Seventeenth Centuries*, by George Unwin, Oxford, 1904, p. 153.

³ Toulmin Smith, *English Gilds*, pp. 59, 60, 63, 66, 70, 76, 79, 81, 83, 87, 92, 95, 98, 106, 109, 161, 174, 266.

⁴ *An Introduction to English Economic History and Theory*, by W. J. Ashley, 1893, 1. (Part 1.) p. 102.

⁵ *Vide supra*, p. 3.

mercatoria, and which was jealously guarded by the officials of these fellowships. Moreover the gildsmen were forbidden to "colour" the goods of unfreemen, or to enter into partnership with them¹. It thus becomes obvious that the development of the gild system acted as a check on the extension of partnership, which would otherwise have followed from the canonist teaching on usury. Indeed, at this period, there were immense obstacles to the association of capitals owned by different persons. The inhabitants of distant places were cut off from each other by artificial restraints. Even though these were mitigated subsequently by the system of the affiliation of the gilds merchant of certain groups of boroughs, the disabilities remained considerable². In the same town a member of the gild merchant might not join with a non-member for the prosecution of any enterprize. Thus there was a tendency, during the period the gild merchant was most flourishing, to separate capital into what might be called water-tight compartments, each of which could not communicate with any other. This was the situation as between the members of any gild merchant and all outsiders. Within the fellowship strong efforts were made to encourage joint-action. As traders, the members were possessed of some capital, and they were now associated by their membership of the gild. The principle of collective working extended a little further than this. A gildsman was required to share any purchase, he had made, with other members who might wish to participate at the same price³. In the fifteenth century this principle had been widened, and the gild appointed certain officials to make the purchase on behalf of the gild and they subdivided it amongst the members⁴. Transactions of the latter type are scarcely to be distinguished from a certain species of dealing that was obviously of a joint-stock character. Some of the early companies, instead of paying what would now be called a dividend, made a division of commodities to the members. This was proposed in the case of the society of the Mines Royal (1571), it was a common practice of the East India company in the first half of the ~~sixteenth~~ century, and it was the rule of the Ayr and Newmills cloth manufactories from 1670 to 1713⁵. If it be supposed that the officials of the gild collected the funds from the members before the goods were delivered to them, the transaction resolves itself in its essentials into a joint-stock followed by a commodity-division.

¹ *The Gild Merchant*, by Charles Gross, Oxford, 1890, i. p. 48.

² *Ibid.*, i. pp. 242-67.

³ *Ibid.*, ii. pp. 46, 150, 161, 185, 218, 219, 226, 290, 352.

⁴ *Ibid.*, ii. p. 67.

⁵ *Vide infra*, ii. pp. 110, 127 (note 11), 128 (notes 2 and 5), 139, 178, 390, 391, iii. pp. 126, 141, 142.

As compared with the social fraternities, the gild merchant had a greater variety of affairs to control, and therefore it is to be expected that the organization of the government in it would be more complete. At first, the model of the social gilds was followed, and there are many cases of gilds merchant with an alderman, stewards and a dean or clerk to which other subordinate officials were added. But as administration became more complex, there are signs of the beginnings of a change. At Ipswich, besides the alderman (who was elected to govern the gild faithfully and well), there were also chosen four members, who should be associated with him (*associentur ei*)¹. By 1325 there were two aldermen, and the gild house was to be *in gubernacione* of these officials², while by the reign of Henry VII. the heads of the body are spoken of as *aldermanni aut gubernatores*³. As early as 1446, the men, who were associated with the alderman, were named *associantes*⁴; and, in the time of James I., they were known as "the twenty-four"⁵. Similarly at Great Yarmouth there is mention of "the four and twenty and the eight and forty"⁶; at Andover in 1485 there were twenty-four *fforwardmanni*, which had been referred to as early as 1262⁷. From this type of organization, there was subsequently evolved the governor and his assistants of the regulated company—the *aldermannus*, *magister* or *gubernator*⁸ becoming the governor, and the men, selected to help him or to be associated with him, the assistants. This type of constitution, while it occurs frequently, was not by any means the only one. In many gilds merchant there is no trace of the select group appointed to help the alderman. Sometimes, too, the head of the fraternity was known as the master, the mayor or the rector⁹. The alderman and those associated with him were responsible for what might be termed the business-management of the gild in general. In addition there were other officers, called stewards, skevins, ferthingmen, levellookers, heyners¹⁰, most of whom discharged specific functions; and it would appear that, as the corporate organization became developed and was applied to more specialized types of industry and commerce, such duties, or the new ones that emerged, were performed by the servants of the later companies—these being appointed by the governor.

The increase in the commercial affairs of the gilds merchant gave increasing importance to the framing of by-laws, many of which related

¹ Gross, *Gild Merchant*, II. p. 119. This gild was in existence in 1200.

² *Ibid.*, II. p. 126.

³ *Ibid.*, II. p. 128.

⁴ *Ibid.*, II. p. 127.

⁵ *Ibid.*, II. p. 131.

⁶ *Ibid.*, II. p. 277.

⁷ *Ibid.*, II. pp. 5, 10.

⁸ In the case of Cirencester (temp. Henry IV.) the phrase *magister sive gubernator* occurs. *Ibid.*, II. p. 364.

⁹ *Ibid.*, II. pp. 25, 45, 49, 167, 207, 245.

¹⁰ *Ibid.*, I. pp. 27, 28.

to the exercise of the monopoly. These records were of greater value to the members, in that the privileges of these fellowships were to a large degree customary; so that written evidence could only be provided in this way, since the privileges of a gild merchant were not specified in the early charters. It follows that the process of framing and recording by-laws was another step in the development of the corporate idea, in so far as it provided a mechanism for expressing the will of the members as a community. Like the social gilds, the *gilda mercatoria* often used a seal, and audits of the accounts were held¹.

With the progress of industry it began to appear that circumstances had rendered the gild merchant rather a hindrance than a help to trade. In the fourteenth century this institution was beginning to be replaced by specialized associations of traders, such as the craft gilds and companies of merchants. When the latter became further specialized in relation to foreign trade, the evolution towards the joint-stock company will be found continued. But, in the order of time there is a gap, occasioned by the early dominance of foreigners in the external trade of England. This interval is bridged to some extent by the appearance of the organization, partly commercial, partly fiscal, which later was incorporated as the *Mayor, Constables and Fellowship of the Merchants of the Staple of England*. This body is said to have been in existence in 1248, and there are clearer traces of its activity in 1266-7². The claim of the staplers, as the first organized body for over-sea trade, was disputed by the fellowship of Merchant Adventurers, which asserted, in the most circumstantial manner, that it had received concessions from John, Duke of Brabant, as early as 1216³. It was not till nearly two hundred years later that recognition from the Crown of England was obtained. In the last years of the fourteenth century and during the first years of that following, several grants were sealed which may be taken as the official recognition of the beginnings of the regulated company for foreign trade. These grants relate to the countries bordering on the North Sea and the Baltic. The earliest is that to the merchants trading to Prussia (*mercatores in terra Prucie et in partibus de Liscone, Sounde et in dominiis de Hansa commorantes*). By 1391, these traders had already elected a governor; and, in that year, the King granted them the privilege of assembling together each year, on the feast of St John, to make choice of a suitable person to serve in this office. The governor was given powers of executing justice amongst English merchants in the territories described and of protecting the

¹ Gross, *Gild Merchant*, II. pp. 14, 34, 61, 304.

² *Englische Handelspolitik gegen Ende des Mittelalters*, von Georg Schanz, Leipzig, 1881, I. p. 329.

³ *Ibid.*, II. pp. 582, 583; Stowe MS. (Brit. Mus.) 303, f. 99.

concessions they had already obtained¹. In 1404 a further charter was signed on behalf of the same body. The privilege of assembly was extended—the merchants now being authorized to meet, not on some fixed day, but as often as they pleased. They might also elect a governor or governors, and provision was made for the functions of these being discharged by deputies. Further, a new clause was added, granting powers of making statutes and ordinances for the better government of the body, while the governor was permitted to punish, “rationally,” any English subjects, who disobeyed these rules². From this it followed that a way was opened for the establishment of a monopoly. The merchants could meet, and, by passing an ordinance, determine that participation in the franchises, they had procured, was limited to certain persons, who had complied with specified conditions as to their occupation or by making a money-payment. Thus the question of the freedom of an association of this type soon became important.

In 1407 a similar grant was made to the merchants of Holland, Zealand, Brabant and Flanders, the only variation (and that of minor importance) being the inclusion of the term “*domini*,” as an alternative to “*gubernatores*,” in the title of the chief officials³. In the following year a charter in the same terms, save for the names of the privileged merchants, was sealed on behalf of the merchants trading to Norway, Sweden and Denmark⁴. The latter patent was the foundation of the Eastland company, that of 1407 recognized another regulated body, which became celebrated as *the Fellowship of the Merchants Adventurers of England*, which title was sanctioned by the charter of 1505. Between 1407 and 1505 the corporate character, which was implicit in the grant of the former year, becomes more explicit, and by 1498 the fellowship had received a grant of arms⁵. This progress is marked in the charter of 1505, which records the development of the constitution of the fellowship. Besides the governor, or governors, there were also to be elected four and twenty of “the most sadd, discreet and honest persons...to be called and named assistants to the governor.” Of this court, composed of the governor and assistants, thirteen members constituted a quorum. Vacancies, through illness, were to be filled by co-option; while assistants, who refused to serve, were subject to a fine of £20. The fellowship received the most ample powers of making ordinances, on condition that these were not contrary to the laws of England, and

¹ *Fædera*, vii. p. 694.

² *Ibid.*, viii. p. 360.

³ *Ibid.*, viii. pp. 464–5.

⁴ *Ibid.*, viii. p. 511.

⁵ Schanz, *Englische Handelspolitik*, ii. p. 575. An engraving of these arms forms the frontispiece of *The Early Chartered Companies*, by G. Cawston and A. H. Keene, London, 1896.

that applicants should be admitted to the freedom on payment of a fine of 10 marks¹.

In the charter granted in 1505 to the Merchant Adventurers, the idea of a trading corporation had reached a form closely resembling that in which it appears in the first joint-stock company, established by an instrument of this kind fifty years later. An association of those, who made their living "by grete aventour²," acted as a body in the forming of by-laws governing their commerce with the country where they had obtained privileges. These ordinances were put in force by the governor and assistants, which titles will be found to repeat themselves in many of the early joint-stock undertakings. Moreover, the elected representatives of the members were empowered to direct the conduct of each individual, who acquired the freedom, in very many ways. Not only were minute rules framed, as to the times and the manner of trading, but also as to the details of social and family life. How far-reaching some of the ordinances of the latter class were may be realized by the citation of one of them, which forbade any member to marry an alien under penalty of the forfeiture of his freedom³. On the other hand, there are traces of the survival of the benefit side of the early guilds in the provision that help was to be given to those of the fellowship who required it⁴.

The organization of the regulated company in many directions approached that of the early joint-stock enterprise. It formulated and defined the principle of corporate action in relation to foreign trade, and provided a type of government, by which control could be exercised. Though each freeman remained relatively isolated, as a capitalist, he was compelled to employ his resources according to the ordinances of the fellowship. Not only so, but the regulated company, as a whole, became possessed of a certain amount of corporate property, arising from the fines for admissions and from special levies. In some cases, these funds were used in providing loans to British or foreign sovereigns; and, as a result of such assistance, the privileges of the companies were increased from time to time. There are traces also of the formation of groups within the main body. This process was governed, in some instances, by considerations that were altogether local. Thus the Merchant Adventurers and the Eastland company had "residences" at the

¹ Schanz, *Englische Handelspolitik*, II. pp. 549-53; Cawston and Keene, *Early Chartered Companies*, pp. 249-54.

² The Merchant-Gild of Kingston-upon-Hull (1499)—*Two Thousand Years of Gild Life*, by J. M. Lambert, Hull, 1891, p. 158.

³ Stowe MS. (Brit. Mus.) 303, f. 101.

⁴ The Lawes, Customes and Ordinances of the Fellowshippe of Marchantes Adventurers of the Realm of England, Add. MS. (Brit. Mus.) 18,913, f. 5.

chief English towns, which participated in trade with the respective countries in which they were interested; and many of these residences were constitutionally quasi-independent, in so far as they had charters¹. In addition, there was a further subdivision, where the freemen in small bodies entered into partnership². Some such development was rendered necessary by the universal rule, that members might not join with non-members and also to the antagonism between the ideas of the regulated company and the *commenda*. It is recorded that amongst the Merchant Adventurers of Newcastle-upon-Tyne (an affiliated body of the fellowship of Merchant Adventurers), by the middle of the sixteenth century, it had become common for a freeman, who owned a ship, to take a mariner into partnership, the latter receiving a share in the profit of the voyage. It was natural that the sailor or supercargo (who was in fact the *tractator*, *portator* or *commendatarius* of the *commenda* thus established) should "not only practys the fetys of merchaundrese, in as large and ample maner as many and sondrye marchaunts of the saide feloshipe do, but also for thar mor singuler prophet doo occopye the forsaid shipe and take frawght from divors partes beyonde the see of merchauntes strangers³," both these practices being contrary to the whole spirit of the regulated company; and so it follows that, once these bodies had been organized and were able to enforce their rules, the *commenda* could not flourish in the trades they controlled. In another direction, also, the Merchant Adventurers of Newcastle-upon-Tyne tended to limit partnership. The regulated companies laid great stress upon apprenticeship, and it was by this device that membership was confined to what were called later "legitimate merchants," namely those who had been apprentices. About the middle of the sixteenth century, a practice had come into existence in this company for freemen to permit apprentices to employ capital "under clocke and cover of theyr mayster's trade"; and it was ordained, in 1554, that no apprentice might enter into any venture during the first five years of his indentures and, for the remainder of his term, to the extent of £10 only. By a further statute these rules were made more precise. When an apprentice had been bound for five years, he was permitted to employ £20 "*in jointe-stocke* with his maister," after three years more (and to the end of his term) his investment might be increased to £40, subject to the proviso that the use of it should be also in joint-stock with the freeman to whom he was indentured⁴. A further

¹ *Acts and Ordinances of the Eastland Company*, edited by Maud Sellers, London (Royal Hist. Soc.), 1906, pp. xiv, xix, xxvii, lxi, lxiii, lxvii.

² *Extracts from the Records of the Merchant Adventurers of Newcastle-upon-Tyne* (Surtees Soc., 1895), i. p. 2.

³ *Ibid.*, i. p. 41. This ordinance is dated 1553, and it may be taken as typical of what happened elsewhere at an earlier date.

⁴ *Ibid.*, i. pp. 6, 7.

extension of a similar principle, which may have happened in the gild merchant, is explicitly recorded. In 1599 an offer was made to the Newcastle company of 80 fother of lead at £7 per fother. This was purchased by the fellowship as a whole, and provision was made that a committee should determine the quantity to be assigned to each member, collecting the price of it from him at this rate and discharging the debt of the company to the original seller¹. This was in fact a joint-stock purchase, followed by a commodity-division. When such bargains became the rule, instead of the exception, the regulated company would be transformed into a joint-stock body, as the latter will be found to have existed during the sixteenth century; and, when this stage in the evolution was reached, all that was necessary to effect the change was an occasion which, in some new enterprize, would make it seem to be desirable.

Such then is one line of development, which would inevitably lead to the formation of the joint-stock company in its primitive form—a tendency which might be expected to manifest itself in the prosecution of distant foreign trades. There remains another to be considered, namely the extension of the *societas*. In an industry, which was long continued or which was growing rapidly, there would be a tendency for additional partners to be assumed; so that, in time, the undertaking would grow from a *societas* to a type, which might be more correctly described as a company. In several cases of this character, which will be noticed below, the transition is marked by the grant of a charter to the enlarged partnership. But growth, of the kind indicated, could only arise when there was a need for considerable employment of capital in industry. Prior to the beginning of the fourteenth century, there was

¹ *Extracts from the Records of the Merchant Adventurers of Newcastle-upon-Tyne*, i. pp. 104, 105. In view of the long disputes in the Virginia, Somers Islands, and East India companies as to whether votes should be taken by show of hands or by ballot (*vide infra*, ii. pp. 106, 269—85), the following ordinance of the Merchant Adventurers of Newcastle, dating from 1563, is of interest. “Wharas dyvers and sondrie offencis haythe ben comyttyd and don by dyvers of the Fellyshype, and ther falts beinge provyd before the governor and the Felyshype, yett nevertheles, for so moche as yt haythe ben allwayes accustomed that all suche defalts haithe ben referred to the Felyshype and to be tryed by holdinge up their handes, by reassinge wherof eyther by effection, or for fer of the parents of the partye, yt haithe ben juged and thowgth by some of the Felowshypp that the falts and fyns don to the Fellyshype haithe nott ben well handlytt for the profite of the Howse and Fellyshipe, for reforemacion wharof be it enactyd... That all dowtts, falts, treaspas or fynnes...shal be tryed by the boxe accordinge to the most dyscreatt and indifferende means, so thatt no man, doinge accordinge to his conscience, shal be juged of no partye nether to do ytt of bearinge no of dysepleasur.” *Ibid.*, i. p. 69.

little room for the investment of capital in England by Englishmen¹. From this time onwards, there are traces of a capitalistic organization of mining in Cornwall², and in the last quarter of the fifteenth century there are references to large partnerships for the working of the Mines Royal³. These were the forerunners of the first joint-stock company, incorporated for a home industry. Then, in the time of Edward VI., there is an account of a partnership for the smelting of iron⁴. At that time, the increasing importance of capital in industry was marked by the development of the textile industries by its aid⁵. It may have been that in this movement there were partnerships comprising a large number of members; but, if so, particulars of them have not been discovered. It is significant too that, during the first century of the joint-stock system, it did not affect the cloth trade.

In addition to these two streams of tendency towards the formation of joint-stock bodies, there is the possibility that the method of constituting them might have been copied from similar institutions on the Continent and, more especially, in Italy or Germany. There are two main reasons which explain the absence of any direct influence of this character on the earliest English joint-stock undertakings. Just at the period when they came into existence, Italian commercial and financial relations with England⁶ had declined, and therefore there would not be the same disposition to borrow a constitution from Genoa or Venice. Besides, the development of the idea of a trading corporation from the gild-merchant to the regulated company was so complete that there was no need to go beyond it; while the prevalence of the gild-system, in its various later developments (such as the livery company and the regulated company), showed that these were suitable to the temperament of the merchants of the period. Indeed the change from a regulated company or a *societas* of the middle of the sixteenth century to a joint-stock, as the latter existed in the second half of that century, was so small that it was one that would come almost insensibly by the normal course of commercial and industrial development. At the same time, while there

¹ *An Introduction to English Economic History and Theory*, by W. J. Ashley, London, 1892, I. (Part I.) p. 155.

² *Victoria County Histories—Cornwall*, I. p. 559; *The Stannaries: a Study of the English Tin Mines*, by George Randall Lewis, Boston, 1908, pp. 189–91.

³ *Vide infra*, II. p. 384 (note 2).

⁴ *Vide infra*, II. p. 463.

⁵ *The Growth of English Industry and Commerce, during the Middle Ages*, by W. Cunningham, pp. 524, 525.

⁶ The connection of the Italian *societas* with Scotland continued till the Reformation. For instance from 1518 to 1521 there are references to transactions with the Bardi, the Gualterotti and other bankers—"The Formulare" (MSS. Univ. Lib. St Andrews), ff. 36, 44; *The Archbishops of St Andrews*, by J. Herkless and R. K. Hannay, II. p. 40.

was no direct adoption of foreign types of joint-stock bodies, allowance must be made for the occasional presence of influences, derived from abroad, in determining some points of detail. If, as suggested elsewhere¹, certain peculiarities appear in particular joint-stock companies, and it is found that foreigners were prominent in the promotion of these, while again those peculiarities were usual in the bodies of this type in the native countries of these men, it may be concluded that such special variations from the normal English type of constitution are to be assigned to a definite influence from the Continent.

¹ *Vide infra*, p. 20, II. pp. 38, 78.

CHAPTER II.

FROM THE BEGINNING OF THE RUSSIA COMPANY IN 1553 TO THE CRISIS OF 1569.

THE appearance of the fully constituted joint-stock company was the product of two different lines of development. As already shown¹, on the one side, there were the diverse forms of mediæval partnership; and, on the other, the organization of corporate activity, which originated in the gild. The former practice effected a synthesis of the capital, owned by a few persons, but the undertaking, started in this manner, was temporary in its nature, and no lasting plans could be made for its continuance. Moreover, should events require the utilization of considerable resources, it would be necessary to introduce a large number of partners, and the mediæval *societas* had not a sufficiently elaborate organization for the government of an extended membership. Yet the necessary system had been developed in the gild-merchant and the early regulated companies, and it only required the stimulus of a suitable occasion to graft the company organization on to the partnership.

The precise date, at which this union was effected in England, was conditioned by a number of circumstances connected with the religious, social and industrial condition of the country. The progress of maritime discovery was extending foreign trade at the commencement of the sixteenth century, and it was in this branch of commerce that capital was of most importance. But the attitude of the Church to capital was on the whole not a progressive one. How far the canonist doctrine of usury was justified by the circumstances of the time, how far, in countries where there was no Reformation, the Civil Law, derived from Roman jurisprudence, enabled companies to be formed with a joint-stock, are questions beyond the scope of the present work. In England, in many respects, the Reformation, in liberating capital from the position it had occupied under the Church, forced this country to work out the corporate organization of capital independently.

¹ *Vide supra*, pp. 2-10.

If the Reformation be regarded, not alone in its religious and political aspects, but also from the social and economic point of view, it had a marked effect upon the distribution of capital in England. The Church was the pivot of mediæval activities, and not the least of its functions was its economic agency. At the Reformation, in the general upheaval, some of these economic functions disappeared, while the form of the remainder was changed. The transference of ecclesiastical property on an enormous scale¹ meant, for a time, an economic loss. A considerable amount of dislocation in national production was inevitable, and the release of hoarded and unproductive wealth caused great extravagance.

To turn the economic loss of the Reformation into national gain required a period of reconstruction, but this was not reached till the reign of Elizabeth. Henry VIII. wasted the wealth that reached him from the monasteries, and his extravagance resulted in the debasement of the coinage and the contraction of a debt, which involved an annual charge on the revenue of the Crown of £40,000 a year. Partly through an adverse balance of indebtedness, partly by the debasement of the coinage the exchange at Antwerp was so low that £1 sterling only realized 16s. Flemish². In 1552 the debt abroad was £108,000, and three years later it had grown to £148,526. 5s. 8d., while the interest was about 14 per cent.³ How onerous this rate was may be judged from the fact that in 1407 the bank of St George was able to convert existing obligations, borrowed from 10 per cent. to 8 per cent., into a new security at 7 per cent.⁴ Therefore, from 1550 to 1570, there was a continual drain on England, through the interest payable on the loans contracted abroad. Moreover, not only was the interest high, but the form of loan was especially onerous. All these debts were contracted for short periods, and if, through any cause, the principal as well as the interest was not forthcoming, a renewal could only be effected on still more disadvantageous terms. It may be urged that, after all, the payment of interest might be off-set against the pre-Reformation remittances to the Pope and to foreign ecclesiastics, who drew revenues from English benefices. But to take this view is to consider the economic disadvan-

¹ Stevens, in *The Royal Treasury of England or an Historical Account of all Taxes*, London, 1725, pp. 213, 214, gives the gross annual value of the religious houses in England and Wales, suppressed by Henry VIII., as £152,517. 18s. 10½d. and the nett annual value as £131,607. 6s. 4¾d.

² *The Lives of the Professors of Gresham College*, by John Ward, London, 1740, p. 9; *The Life and Times of Sir Thomas Gresham*, by John William Burgon, London, 1839, i. p. 68.

³ Burgon, *Life of Gresham*, i. pp. 93, 182.

⁴ *Histoire de la Banque de Saint-Georges de Gênes*, par le Prince Adam Wiszniewski, Paris, 1865, p. 7.

tages of the mediæval Church as stereotyped, through regarding the Crown debt as a kind of charge on the benefits to accrue from the Reformation. Just at the time that the interest pressed most heavily, it is probable that the national production was less than it had been in the first thirty years of the sixteenth century; so that, on the whole, there appears every reason to believe that, about 1550, the capital of the country was being depleted. Under these circumstances, attempts would be made to secure a higher return on that capital which was free to seek for it. Thus the more enterprising merchants would be forced to give greater attention to foreign trade. Already, however, the existing regulated companies—the Merchant Adventurers, the Staplers and the Eastland company¹—were in possession of the chief known trade routes, and those, who wished to extend English foreign commerce, would be forced to go further afield. To provide funds for voyages to distant places would require considerable capital, and therefore, once such enterprizes were undertaken, some kind of joint-stock company would naturally be formed. It may indeed be asked why, at this juncture, supposing foreign trade were about to be prosecuted in a new direction, such trade might not have been organized by a regulated company? The regulated company had a complete constitution—it had perpetual succession and a permanent body of officials, but, subject to the rules of the governor and assistants, each member might use his own capital as he thought best. But to do this, it was necessary that the trade should be carried on with a country, not too distant, which was civilized. Moreover, the trade, suitable for a regulated company, must be one of some magnitude following well-defined lines, in order to facilitate the provision of shipping. In trading to a distant country larger vessels would be needed; and, if such an expedition were managed by a regulated company, the loading of the goods of a number of adventurers in one ship, accompanied by the factors in charge of them, would produce almost inextricable confusion. Therefore; when a trade was opened to Russia or to Africa, it was almost inevitable that it should be founded on a joint-stock basis.

If then the joint-stock company be distinguished from the mere partnership by some corporate character and fixed methods of procedure in the conduct of business, the first English joint-stock company of importance was that founded in 1553, and which may be described, for the sake of convenience by the name it was commonly known by later, as the Russia company. It is significant also that, in the same year, another joint-stock enterprize was established to trade to Africa. Prior to the Russian and African companies, there were several ventures which

¹ *Vide supra*, pp. 8, 9.

stand on the border-line between the company proper and large partnerships. As early as 1485 a number of noblemen and gentlemen of England were granted rights of mining the precious metals in certain districts and were constituted "governors of the Mines Royal¹." A somewhat similar grant was made for Scotland to a group of foreigners in 1526². Then in 1540 it is recorded that several merchants of Southampton joined in sending a trading expedition to Africa³. So little is known of the internal affairs of these undertakings that it is difficult to determine how far they might be characterized as companies, how far as partnerships.

Failing sufficient data relating to earlier ventures, the two trading expeditions of 1553 may be taken as the beginnings of important English joint-stock enterprizes. Each is the complement of the other, in so far as the Russia company represents the evolution of the joint-stock, from the regulated company; while, in the case of the African Adventurers, the same goal is reached from the partnership. It is significant that, in both cases, the enterprize is characterized as one for the discovery of places unknown, or not previously frequented by Englishmen⁴. This note is very clearly sounded in the title by which the voyage (which resulted in the opening of the maritime route to Russia) was described. This was *the Myserie and Companie of the Marchants Adventurers for the discoverie of regions, dominions, islands and places unknown*. Sebastian Cabot was one of the founders of the venture; and it may have been through his knowledge of the joint-stock system in Italy that it was decided there should be "one common stocke of the company," and that no member or servant might trade on his own account. The adventurers subscribed £6,000 by calls of £25 on each share, and this sum was devoted to the purchase of three ships and some goods, suitable for trade. The expedition started with the idea of discovering new countries to trade with, along the north-eastern passage to China and the East. Two of the three ships were lost in the ice, but the third succeeded in reaching Archangel; and Chancellor, who was in command, set out overland to make a commercial treaty with the ruler of the country. He obtained the promise of extensive privileges and concessions for the agents of the company, since it was to the advantage of Russia to open a maritime trade—that country at this time having no port on the Baltic. Thus in 1554 the position was that the adventurers had procured important franchises in Russia at an expenditure which was considerable for the time. In order to secure the benefits of the "new trade" to the discoverers of it, a charter was signed on February 6th, 1555, which reserved to the company the sole right of trading with

¹ *Vide infra*, II. p. 383.

³ *Ibid.*, II. p. 3.

² *Ibid.*, II. p. 384.

⁴ *Ibid.*, II. pp. 4, 37, 41.

Russia, or with any other countries that might be opened up by the adventurers in the future and which had not been commonly frequented by Englishmen. This grant clearly bases the monopoly of trade on the ground of the right of discovery; and the promptitude, with which such privileges were granted, is to be ascribed in part to the national importance of the branch of commerce now made available. Not only would a new market be found for English commodities, but, what was more important, England obtained direct access to materials of the greatest possible importance for the shipping trade, such as cordage and timber for masts.

The charter also prescribed with considerable detail the constitution of the undertaking, which is described as "one bodie and perpetuall fellowship and communaltie." This characterization gathers up the various lines of development leading to the establishment of corporate life—suggesting the description of the contemporary regulated and livery companies; while, as already shown¹, the term "fellowship" was common in the early guilds. The explicit reference to "the one bodie" shows that greater emphasis was being laid on the idea of a corporation. The charter is not explicit on the specifically joint-stock character of the concern, which shows itself rather in the ideas of the founders and in the actual working out of the enterprize, and hence, in the written constitution, the development of the idea of partnership is less prominent, though it was precisely this side of its activities which differentiates this company from others already incorporated.

There could be no clearer example of the tentative nature of the incorporation of a company than the lengthy title given to this one. Probably in the middle of the sixteenth century, the practice that was later enforced—namely that no corporation could act legally, except under the full title by which it was established²—had not been accepted. Evidently, just as in the case of treatises in the following century, it was supposed that the name of a company or of a book should be at the same time a concise epitome of the whole objects of either, and therefore the Russia company began its career as *the Marchants Adventurers of England for the discovery of lands, territories, isles, dominions and seignories unknown, and not before that late adventure or enterprize commonly frequented*. The inconvenience of this extended title was so marked that in 1566 it was shortened, under the authority of an act of Parliament, and thenceforth the undertaking was known officially as *the Fellowship of English Merchants for discovery of New Trades*³.

¹ *Vide supra*, p. 3.

² *Reports of Cases adjudged in the Court of King's Bench from 1 Will. and Mary to 10 Anne* by William Salkeld, London, 1795, III. p. 102.

³ *Vide infra*, II. pp. 37, 42.

The charter prescribed with some minuteness the internal constitution of the body. The members had the right of assembling and making elections of officials. At first there was to be one governor, and this position was to be held by Sebastian Cabot for life. After his death, two governors might be elected. In addition to the governor, or governors, the fellowship was empowered to choose annually twenty-eight persons, of whom four were described as "consuls" and the remaining twenty-four as "assistants¹." Several points of interest arise in the constitution of this court. In the gild-merchant, originally, the chief power lay in the hands of the governor with whom, as time went on, other subordinate officials became associated to assist him². The same order of evolution prevailed in the livery and the regulated company, and gradually the court became constituted as consisting of a governor and assistants³. Possibly through religious influences, the number of assistants was almost invariably either twelve or a multiple of twelve. In fact, in almost all cases where details are recoverable of early companies, the assistants and the shares were counted by dozens, not by tens.

It will be noted that in the court of the Russia company, besides the governor and assistants, there is an intermediate order, namely the four consuls. This office was the prototype of that of deputy-governor, but the name given to it is rare in English companies. The only other case is that of *the Companye of Kathai*, incorporated in 1577, which was formed by members of the Russia company. There can be little doubt that this temporary introduction of the term "consul," as applied to a deputy-governor, was of Italian origin. From the beginning of the debt of Genoa, consuls had been appointed to superintend the administration of the finances. In the complex organization of the Bank of St George, four consuls were nominated by the chief officials or Proctors⁴. That English merchants, trading in Italy, were influenced by the local nomenclature is shown by the fact that, when in 1486 a grant was made for the internal government of these traders, instead of the person nominated being named governor (*gubernator*) as in other cases, he is called consul or president⁵.

The idea of three orders in the management of the affairs of the Russia company was developed in the constitution of the quorum at court meetings. Out of the twenty-nine or thirty officials as the case might be, the normal quorum was formed by the governor, two consuls and twelve assistants. If, however, during the lifetime of Cabot (when

¹ *Vide infra*, II. p. 38.

² *Vide supra*, p. 7.

³ *Ibid.*, p. 9; *Some Account of the Worshipful Company of Grocers* by J. B. Heath, London, 1829, p. 58.

⁴ *Essai sur l'origine et l'organisation de La Banque de Saint-Georges*, par M. Moland, pp. 33, 43.

⁵ *Fœdera*, XIII. p. 314.

there was only one governor), he should be absent through illness, it was provided that a court might be constituted by three consuls and twelve assistants.

It will thus be seen that the Russia company came into existence with a complete internal organization, which in the main was transferred from the previously existing type of incorporation. No provision was made in the charter for any of the functions that would arise out of this company being formed on a joint-stock basis. Thus there were no regulations, relating to the votes of members or to their other rights or obligations. If any attention was given to such problems, it may have been considered that any powers necessary were conveyed by the clause, common to this charter and those of the regulated companies, that orders might be made for the governing of the trade; and it will be found one of the points of interest, in the growth of the joint-stock form of organization, how, when such difficulties had arisen, attempts to deal with them are introduced into the charters of later companies.

It would be erroneous to conclude from the existence of the charter of the Russia company that this was the sole type of joint-stock organization for foreign trade. In the same year (1553) the African trade was re-opened, and was conducted for a number of years, without a charter or a monopoly. The African expeditions were promoted by five "chief adventurers," who had each of them partners under him. This undertaking, although not incorporated, was frequently described as a "company," and, in 1564, the calls on the shares were sanctioned at a meeting, of which a formal minute was kept¹. Several reasons may be discovered for the different form in which the African trade was organized. First of all, the Portuguese were established on the coast of Guinea, and they endeavoured to prevent the ships of other nations from trading. Thus there was something furtive in the first English expeditions, and it was advisable to advertize them as little as possible. In the second place, although the agents of the Adventurers had established friendly relations with the native chiefs, they did not obtain privileges from them that could be compared with those granted the Russia company in that country. It is true that, on the grounds of re-discovery, *the Adventurers to Guinie* were entitled, on existing precedents, to a monopoly of the trade to some part, or even the whole of the known African coast line; but, in the confusion existing during Mary's reign, it may have been that it was not considered desirable to ask for a charter. This conjecture is confirmed by the fact that some of the "chief adventurers" were prominent during the time of Elizabeth, and therefore it is unlikely that they would have obtained favours from her predecessor.

¹ *Vide infra*, II. p. 7.

In the mode of capitalization, adopted by these two companies, there were certain important differences. The Russia company owned its ships, while the African Adventurers hired those which carried their goods. Thus the latter undertaking was in complete continuity with the mediæval *commendæ*, and indeed it might be described either as an intricate form of *societas*, or as a joint-stock company. There is no information as to the arrangements, made with the owners of the ships in the first voyages; but, later, the price of the charter was discharged by a share of the profits. Therefore, the capital required for the African company was less, in comparison with the volume of the trade, than that needed by the other undertaking, which had to provide ships, trade-goods, besides building residences for its factors and making costly presents to influential persons in Russia. These different practices account for another variation in the financial history of the two organizations. As far as can be determined, each African expedition was financed by a separate capital; and, on the completion of the accounts, the venture was finally wound up, and a fresh series of calls made for the next voyage. This method was the simplest, where there were no assets of doubtful value to realize, and where the subscribed capital was represented, at the end of a given voyage, by a few commodities readily saleable. In the case of the Russia company, a similar plan would not have been equally equitable; since, in a few years, expenditure had been made on property in Russia and in acquiring the good-will of persons there, and so the capital of this undertaking continued as a permanent one for a considerable period.

Possibly what strikes the modern reader most is the meagre amount of the capital employed. In either case, it is doubtful if, at any given date, the floating capital employed in trade, would materially exceed £5,000 for each company as invested in English goods. The single case in which the amount of the outlay of the African Adventurers has survived was exactly that sum¹, and in several cases the cargoes of ships sent to Russia in one year came to less². It seems almost incredible that a turn-over of £10,000 a year or thereabouts should have made a material addition to the foreign trade of the country, yet there are several indications which point in this direction. About this period, a shipment of woollen goods by the Merchant Adventurers was valued at some £60,000 a year, so that these two "new trades" represented an increase of about 16 per cent. on the value of the staple product of the period. Moreover, the profit on the African trade was very great, and that on

¹ *Vide infra*, II. p. 6.

² As stated above the cost of ships and cargo for the first voyage was £6,000. In 1591 two ships out of five carried an adventure which had cost £3,000—State Papers, Domestic, Elizabeth, ccxxxviii. 129.

some of the early voyages to Russia may have been equally remarkable. With regard to the former, the expedition, which sailed in 1553, brought back no less than 400 lbs. weight of gold¹, 250 ivory tusks, besides large quantities of spices, and, during the next four years, there are frequent references to considerable quantities of gold and ivory being obtained². There are no figures available as to the results of the Russia trade at this period, and early accounts are contradictory; but, judging by the alacrity with which English merchants, who were not members of the company, availed themselves of the capture of Narva by the Russians in 1558—the argument being that this port, not being within the Russian dominions when the charter was signed, was not covered by that charter—it must have been thought that this trade too was a lucrative one³.

Under more favourable circumstances the impetus given to trade in England, by producing for new foreign markets and in re-exporting tropical products, joined with the accretions to the national capital out of the profits made, would have aided in producing a great industrial revival. Unfortunately, however, the disorganization of the previous system of production, through the dissolution of the monasteries followed by the entanglement with Spain, as well as the religious troubles, resulted in a serious unrest which was as detrimental to material as to social progress. Even had more been accomplished in opening up new foreign markets, the demands of Philip would have drained England of capital, just as Spain had depleted the resources of other countries which had fallen under her influence. Added to all these depressing influences, the last years of Mary's reign had been marked by famine and pestilence at home and by a disastrous war abroad. In 1558, not only was the treasury empty, and the country bare of munitions, but the Crown debt had almost reached the limit to which it could be pushed. In 1552 the total borrowings, both at home and abroad, amounted to £220,000; and, even after allowing for sales of Church lands and plate, there was a balance of £89,000 which remained as a deficiency⁴. In 1559 the liabilities were slightly increased, being returned in that year at the

¹ According to figures given by Atkinson in *The Discoverie and Historie of the Gold Mines in Scotland* (Edin. 1825, p. 20), in 1567, 400 lbs. weight of gold would have been worth £22,500; and since this was after the reform of the coinage, in 1554, the nominal value would have been greater.

² *Vide infra*, II. pp. 4, 5.

³ *Ibid.*, II. pp. 41, 42.

⁴ Debts due abroad	...	...	...	...	...	...	£111,000
„ „ at home	...	...	...	...	...	...	109,000
							£220,000
Available from sales of land, plate and bullion	...	...					£131,000
Deficiency	...	...	...	...	...	...	£89,000

sum of £226,910¹. These figures only acquire meaning, when viewed in relation either to the national wealth or to the Crown Revenue. There are no data for determining the former at this period, but fortunately there is an estimate of the latter for the year 1560-1. It may be premised that the income from land, from Customs and feudal privileges was expected to suffice for the normal expenses of the sovereign. This was often described as "the Ordinary Revenue," to which were added, under exceptional circumstances, parliamentary grants and other extraordinary receipts, such as proceeds of the sale of lands or of loans. Now, in 1560-1, this estimate of the Ordinary Revenue (which appears to be an optimistic one) gives a gross total of £327,267, and, after allowing for expenses of collection and other payments made by the receivers and collectors, a nett total of £276,182². The latter sum cannot however be taken as the average nett maintainable Ordinary Revenue for several reasons. In the first place, it included an exceptional credit of £30,000, under the heading of "the Tower." Also several branches were greatly over-estimated; and it turned out that, through interruptions of trade and other causes, the Customs yielded much less than the amount estimated³. For these reasons, it may be calculated that the average nett Ordinary Revenue at the beginning of the reign was rather under than over £200,000 a year. Drastic reductions had been made in the sums allowed for the Ordinary Expenditure, which it was hoped could be brought down to £134,000⁴. This left an apparent surplus of £65,000 a year, out of which provision had to be made for interest on the foreign debt and for other extraordinary charges. Some of these, however, were of such magnitude that they could not be defrayed from this source. It was estimated that the re-arming and fortifying of the country, with further outlay on the navy, would require £300,000. It was proposed to defray this charge partly by the grant made by Parliament in 1559 of two tenths and two fifteenths, which realized £191,000⁵, and partly by the surplus Ordinary Revenue which would have been required for this purpose, if the sum estimated were spent, until the end of 1560. It was unfortunate that, while this scheme was in course of realization, it became necessary to undertake warlike operations in Scotland in 1559 which cost £178,820⁶. The strain on the finances is shown by the increase of the Crown debt abroad from £106,649 in 1559 to as much as £279,565 in the following year⁷. This was an immense sum for the period, and the irony of the situation lay in the fact that the political complications,

¹ *Vide infra*, III. p. 510.

³ *Ibid.*, III. pp. 494, 512, 513.

⁵ *Ibid.*, III. p. 526.

⁷ *Ibid.*, III. p. 496.

² *Ibid.*, III. 512.

⁴ *Ibid.*, III. p. 512.

⁶ *Ibid.*, III. p. 527.

which made a rapid arming imperative, at the same time caused the foreign financiers to incline towards calling in their loans, rather than to suffer them to be increased. Therefore, it soon became clear that the initial steps, towards the re-establishing of the credit of the English Crown, must be taken from within, not from without. But at this period voluntary, as distinguished from forced loans, could only be negotiated abroad. In England the mercantile classes, while to a large extent in favour of Elizabeth, were not prepared to support her by providing large sums of money—indeed it is doubtful whether it would have been possible to have collected sufficient free capital to liquidate the external debt. Moreover, it must be admitted that the security was not attractive. Needless to say the loans, even though guaranteed by the collateral security of the City of London, constituted a Crown debt, not a national one. At the beginning of the year 1559, it was impossible to tell whether Elizabeth could maintain her position or not—certainly the Spanish Ambassador thought she was “on the high road to lose her throne¹.” Thus a voluntary loan could be secured neither abroad nor at home. At this stage, a temporary relaxation of the financial strain was obtained by the Merchant Adventurers being compelled to find £20,000, which was used to discharge some of the most pressing obligations in Flanders². This sum however did not represent ten per cent. of the whole foreign debt, and to deal with the rest more heroic measures were necessary.

The method adopted was a somewhat intricate one, which depended on the state of the foreign exchanges at this time. As a rule, regulations prohibiting the export of coin or bullion were in force in most countries; and, for this reason, “the specie-point” in foreign exchange was theoretical, rather than practical. The sovereign, however, was able to export bullion to meet his debts, and therefore he had this advantage over the subject, that he could pay either by bills or bullion: while the merchant, if he acted legally, could only pay by bills or goods. In this way, from the appointment of Gresham as “King’s agent” in the time of Edward VI., a practice had grown up of operating on the exchange, and Gresham claimed that he had succeeded in materially reducing the discount at which it had stood in the closing years of Henry VIII. His original idea seems to have been to keep the merchants “bare of money”; and, by taking advantage on the one hand of the discount on English bills at Antwerp and on the other of the monopoly of exporting bullion on the royal account, to buy English bills cheap and to pay

¹ Froude, *History of England*, vii. p. 69.

² *Das Haus Fugger, von seinen Anfängen*, von A. Stauber, Augsburg, 1900, p. 25; Burgon, *Life of Gresham*, i. p. 258; Heath, *Company of Grocers*, p. 63.

these against the Crown debts as they matured¹. This plan broke down, through the home government sending insufficient quantities of bullion; and then a more drastic method was adopted. When the Merchant Adventurers made a large shipment of cloth, a considerable sum would be due to them at Antwerp, when the goods were sold. Gresham conceived the idea of diverting this credit of the individual merchants to relieve the royal necessities. When the ships were loaded and on the eve of starting, an order was made to "stay them"; and no release could be obtained, until the Adventurers contracted to pay to the creditors of the Crown in Flanders a certain amount of the proceeds, obtaining in return a promise for repayment in London. Up to this point, the scheme was arbitrary, but not wholly reprehensible. There was however another side to it. The obligation of reducing the heavy discount on the exchange was thrown on the Merchant Adventurers. When each of them individually had paid his quantum of the Crown debt in Flanders, he remained in possession of a discharge from the Flemish house for a certain sum of Flemish currency. Now in making the repayment in London, the £ sterling was rated higher and the shilling Flemish lower than in the original transaction. It was for this reason that Gresham, in his report to Queen Elizabeth, said that "as the exchange is the thinge, that eatts ought all princes to the wholl destruction of ther comon well, if itt be nott substantially looked unto, so likewise the exchange is the chieffest and richist thinge only above all other." "This thinge," he adds, "is only keppt up by artte and Godes providence²,"—the art was plain enough, for by this device a fictitious value was given to the £ sterling, which was rated in such exchange at considerably more than twice its intrinsic value³—where room was found for God's providence is somewhat of a conundrum, unless in the merchants being able to bear the loss involved! It was admitted that the exporters of cloth lost considerably, many manufacturers had to retire from the trade altogether, so that the real cost of the transaction to the country must have been very great. This was offset, but only to a small extent, by the reduction in the price of foreign commodities⁴, indeed it may well be doubted whether this was material; since the reduction of the trading capital, available for the purchase of goods

¹ The royal monopoly of the foreign exchange was considered of such importance that in twelve urgent matters noted in "The first paper or memorial of Sir William Cecil" in the reign of Elizabeth, the eleventh was the issue of a proclamation prohibiting all subjects from "the making over any money by Exchange" unless authorized by the Crown—*Somers' Tracts* (1748), i. p. 159.

² Printed by Burgon, *Life of Gresham*, i. p. 485.

³ It was probably for this reason that Gresham strongly urged the restoration of the currency in the same paper.

⁴ Burgon, *Life of Gresham*, i. p. 261.

at Antwerp, would have tended to restrict the supply brought into England.

Doubtful as the policy was of juggling with the foreign debt by means of exchange transactions of this kind, it is clear that the scheme served Elizabeth in the hour of her need. In March 1559 this device was again adopted; and, by the aid of the funds extracted from the Merchant Adventurers, partly by the direct, partly by this indirect loan, it was possible for Gresham in April 1559, by paying off a part of the loan, to obtain a renewal of the remainder, and also to have funds in hand to purchase powder and arms. Probably Gresham's mission had been facilitated by the conclusion of peace with France in the previous month, and it turned out that the financial negotiations had been concluded at the most favourable moment; since the assumption of the Royal Arms of England by Mary Queen of Scots foreshadowed fresh complications.

In July 1559, the diplomatic situation had changed with almost dramatic suddenness. During the first six months of the reign of Elizabeth, her government had been embarrassed by payments, made by foreign powers, to malcontents in England. Now the opportunity came for Elizabeth to retaliate. It was believed that France would use Scotland as a base, whence to invade England; but the Scottish Reformers were in arms against the government of the Queen-Regent, and application was made to Elizabeth to intervene in their favour. The apparent inconstancy of the action of England was due as much to financial, as to political reasons. It was money the Scots needed most, and this kind of aid could be given in a form which it would be difficult to trace. France might suspect, but could not prove the unfriendly act. Money however was exceedingly difficult to obtain. All that could be raised was already ear-marked for making good the deficient armament of England. Therefore from July to November Elizabeth could do no more than send occasional remittances of £3,000, to keep the Scots in the field. In August Cecil had considered the question of mobilizing a small English force on the Borders, and had come to the conclusion that it was "pitiful" to recognize how unequal the finances were to bear the burden. Meanwhile, by November all that was possible had been done in turning as much as could be borrowed into arms and gunpowder. The arrival of reinforcements from France and the laxity of the Scots compelled Elizabeth either to acquiesce in French domination in the north, with all that was involved in it, or else to take more decisive steps than she had done hitherto. Finally, at the close of the year it was decided to dispatch the fleet under Sir William Winter to prevent the landing of reinforcements from France, and at the same time to authorize Gresham to borrow £200,000. Some of this was sent to

England in bullion, but the greater part in munitions. The need for haste was considered to be so great that the same precautions that had been adopted earlier could not be observed, and Gresham was seriously concerned lest his shipments should be detected and seized. Such rumours tended to make lenders look doubtfully at loans, made to Elizabeth; and, at the end of February 1560, Gresham reported "a great scarcity of monny upon the burse" at Antwerp¹, and efforts were made to induce the Staplers to lend £15,000 or £20,000². In April £20,000 was required for the service of the English troops who were besieging Leith and for those in reserve on the Borders, but it not only became increasingly difficult to negotiate new loans, but there was a marked disinclination to renew those already in existence. Towards the end of the month the rumour that Philip of Spain intended to use his army in Flanders for service in Scotland resulted in a panic amongst the creditors of Elizabeth. Those who held her obligations, immediately prepared to seize English goods in the Low Countries, to be held as security for the moneys due them³. These expectations had "clean alteryd the credit of the Queenes Majestie and of all the nacione." Most of the creditors pressed to be paid what was owing them, as soon as the due date arrived, and Gresham could only secure six months grace, by engaging that sufficient cloth should be exported to answer the whole outstanding debt⁴. Fortunately the extreme tension was relaxed, when it was known that, owing to the defeat of the Spanish Fleet in the Mediterranean, Philip had given orders for the recall of his army from the Netherlands. This was in June, and the arrangement, by the Treaty of Edinburgh in the following month for the withdrawal of the French troops from Scotland, was another circumstance favourable to the maintenance of Elizabeth's credit.

This relief came at a time when the financial situation was critical. Owing to the renewal of loans in the early part of 1560, no less than £150,000 (out of a total of about £280,000) fell due on August 20th⁵. Negotiations had been far advanced for a new obligation of £75,000 at 10 per cent., out of which it was proposed that £25,000 should be devoted to satisfying the most importunate creditors and the remainder remitted to England, either in the form of specie or munitions. Two very different circumstances made it eminently desirable that, as far as possible, the finances should be in a sound condition. In October there

¹ Burgon, *Life of Gresham*, i. p. 287.

² *Ibid.*, i. p. 288.

³ *Ibid.*, i. p. 292.

⁴ *Ibid.*, i. pp. 298, 299.

⁵ *Ibid.*, i. pp. 344, 490. In the two years 1560-2, according to the estimates, provision was to be made for the repayment of £216,954 of debt—*vide infra*, iii. p. 512.

were threats of a fresh French expedition on a larger scale, and the reform of the currency had been decided on. Local events prevented the French from proceeding with the proposed invasion, and early in 1562 Elizabeth was able to retaliate by countenancing the Huguenots in France. In September of the same year she assisted Condé by the loan of 100,000 crowns, which was followed by the English expedition to Havre—carefully prepared, but not countenanced officially¹. These fresh political complications caused Gresham to write in August that the alteration of credit, adverse to England, was such as “this pen cannot wryte you²,” and a few days later he says that every merchant at Antwerp was glad to be “quit of an Inglishman’s bill³.”

On a hasty inspection of the position, on the eve of the expedition to Havre, it might appear that the financial outlook was no better than it had been in 1560, since at both dates Elizabeth could not borrow abroad. But, underlying the apparent similarity, there was a striking advance at the later period. It is true that the external debt was somewhat increased, and that lenders were not for the moment disposed to add to their commitments. Still Elizabeth had better credit than her rivals in Spain or France, for she had obtained a reputation for paying interest, although she could not always repay the principal when it had been promised. Moreover, what was still more important, the country in 1562 was fairly well provided with munitions of war, as compared with the state of depletion that existed in 1558⁴. This improvement was the effect of rigorous economy, accompanied by vigorous reconstruction. Although there was the drain of the Scottish and French expeditions on the finances, the demands for men had not been great, and the example of the Queen and her ministers in economy and industry was beneficial to the whole nation. Trade was more vigorous than it could have been in the time of Mary. The new sources of commerce were increasing the turn-over of the country, and, still more important, Cecil was disposed to be sympathetic to any scheme which would increase the industry of the nation. The Russia company, as far as is known, had not been drawn upon for a forced loan during the first five eventful years of the reign of Elizabeth. At the same time, it was serving the State in two different ways. This undertaking was performing a function for the navy, similar to that done by Gresham for

¹ *Burghley's Notes in A Collection of State Papers relating to Affairs in the Reign of Queen Elizabeth from 1571 to 1596*, transcribed...by William Murdin, London, 1759, p. 753.

² *Burton, Life of Gresham*, II. p. 10.

³ *Ibid.*, II. p. 13; *Augsburg, Nürnberg und ihre Handelsfürsten im fünfzehnten und sechzehnten Jahrhundert*, von A. Kleinschmidt, Cassel, 1881, p. 31.

⁴ *Burton, Life of Gresham*, II. p. 10.

the army, in providing equipment. Indeed, the Russia company had this advantage, that while Gresham had to smuggle the munitions he obtained out of Flanders, the company brought its naval requisites from Russia with the good-will of the Czar. Moreover gunpowder had to be paid for on delivery, while the Russia company, being an English body, was induced, or compelled, to give the Queen long credit. It is probably for this reason that the great increase in its capital (to be referred to below¹) was necessary. Thus the situation resolved itself into this that, over and above the debt due at interest, there was a further running amount owing to this body. Elizabeth had become interested in the African company by 1561, and nothing could afford stronger evidence of the want of money at that date than the fact that she lent the Adventurers four men of war (which would be absent from England for nine months or a year, when relations with France were so strained) on condition of receiving a third of the profits. This partnership with the Queen accounts for a peculiar feature in the organization of the African Adventurers. It was to the interest of Elizabeth that a sufficient quantity of trade goods should be sent to Africa, and therefore the five "chief" adventurers were bound, under a bond of £1,000 each, to provide sufficient and suitable commodities². It is plain that there would have been difficulties in transferring sub-divisions of the liability, and so the chief partners remained nominally liable for the whole capital and for the bond to the Queen, while in reality they had parted with a portion of their interests to others, who became partners "under" them. This expedition was not so successful as the earlier ones, still Elizabeth received £1,000 in cash and, in addition, was relieved of the cost of maintaining her ships for nearly a year. The adventurers obtained a profit of from 40 per cent. to 60 per cent.³

In this way Elizabeth utilized the two joint-stock organizations which had been established in the time of Mary. But, in the vigorous administration of the first years of the new reign, much more was done. It is highly creditable that, in spite of political dangers, as early as the end of 1560, steps were being taken towards industrial progress. Allusion has already been made to the reform of the coinage, which may be connected to some extent with the inconvenience of a foreign exchange, which could be saved from an enormous discount only by artifice. The effects of the debasement of the currency had been felt by the people in the rise of prices: it was recognized by the sovereign in making

¹ *Vide infra*, II. p. 40.

² State Papers, Domestic, Elizabeth, xxvi. 44; *vide infra*, II. pp. 6, 7.

³ There is some doubt as to how the figures, in the account between Elizabeth and the adventurers, are to be interpreted. This point is dealt with *infra*, II. p. 6.

payments abroad¹. Such payments moreover, as already shown², were in fact purchases of munitions on long credit. Even after the financial difficulty had been surmounted, there remained the strategic one of obtaining delivery of the arms and powder in England. Therefore it was eminently desirable that a number of commodities, needed for national defence, should be produced to some extent within the country; so that, at a great national crisis, the arsenals might be replenished. The chief requisites were gunpowder and brass for cannon. As early as October 1560, Cecil was superintending experiments in the mixing of powder³; and, in 1562, a petition was presented from a group of partners, who undertook to make it within the realm⁴. The production of guns in England was a problem of considerable complexity. First of all copper was required, then zinc ore—at this time known as calamine—must be found; and lastly, when brass had been made, it was necessary to have it cast into the proper shape. The realization of the whole scheme extended over about ten years beginning from 1561. Whether this object was kept in view from the commencement is uncertain; and, at all events, a start was made in the mining of copper and lead. From an early period the Crown had claimed the right of all precious metals, and by an instrument, signed on July 16th, 1561, Elizabeth granted this right of mine royal to an Englishman and a German, on condition that one-tenth of the metals won should be rendered to the Crown⁵. The miners claimed all ores, showing traces of silver, as royal, and therefore Elizabeth was certain, as long as operations were continued, to obtain considerable quantities of copper, without having to pay anything for it. Up to 1563, as far as can be gathered, the work consisted chiefly in prospecting, but after that date, on copper being found in Cumberland, an influential and important company was formed.

From 1560 up to the middle of 1563, rapid progress was being made in the reconstruction of industrial life in the more progressive parts of England. The removal of some of the most acute causes of anxiety, that had distracted the country during the reign of Mary, was in itself an influence for commercial progress. With a settled government at home, there came renewed hope, which showed itself in increased production for the domestic and foreign markets. The revival in trade, however, was far from being unchecked. It has been shown how the

¹ *The Summarie of Certaine Reasons which have moved Queene Elizabeth to procede in Reformatiōs of her base and course monies*, in *Harleian Miscellany* (1746), viii. pp. 67-9.

² *Vide supra*, pp. 24-7.

³ State Papers, Domestic, Elizabeth, xiv. 3; *Calendar*, 1547-80, p. 160.

⁴ *Ibid.*, xxi. 56; *Calendar*, 1547-80, p. 195.

⁵ *Vide infra*, ii. p. 384.

necessities of the State tended to absorb capital, that would have been of great advantage in trade; and, although some of the most pressing political troubles had been avoided, there remained many causes for anxiety. As often happens, the indirect or accidental effects of the situation were more important than those to which the attention of statesmen was directed. No one could have predicted that the expedition, sent to Havre at the end of 1562, would have resulted in a panic in London after the soldiers had returned. Yet this happened, through the men coming back to England infected by the plague. The pestilence broke out in London on August 2nd, 1563, and it spread with alarming rapidity. At the same time the harvest was bad, so that there are many allusions to the country being afflicted by famine. In some districts the price of grain advanced by nearly 200 per cent.¹, and the distress was most serious. In addition to the blow, dealt to the wool trade by scarcity of labour for attending to the sheep, the government of Philip in Flanders took advantage of the existence of the plague to prohibit imports from England, and it became necessary to remove the mart of the Merchant Adventurers from Antwerp to Emden. In London, according to Stowe, there was "great scarcity of money²," and Gresham describes the crisis in almost the same words—"this plague tyme there is noe money nor creadit to be had in the Streat of London³." The pestilence was still raging in August 1564; and, in the following November, it became necessary to re-assure those who held obligations under the Privy Seal for loans, promising eventual payment⁴. When England was recovering from this crisis, the financial horizon in the Low Countries became seriously overcast. The attempt of Philip to stamp out the Reformation there resulted in great suffering to the people, culminating in an insurrection. The joint-effect of the troubles abroad and the crisis at home was that in August the creditors of Elizabeth at Antwerp demanded payment of the sums, owing to them, under threat of proceedings by process of law against Elizabeth personally and of seizure of English merchandise⁵. The interest paid at this time averaged 12 per cent., so that, apart from the special circumstances of the moment, English credit was better than it had been in the time of Mary⁶. But, in the existing state of Flanders, accommodation was no longer a question of interest, for the financial houses had not the money to lend, and in 1566 Gresham wrote that loans could be had "at no price⁷."

¹ *A History of Agriculture and Prices*, by J. E. T. Rogers, iv. p. 265.

² *Survey*, p. 26.

³ Burgon, *Life of Gresham*, II. p. 26.

⁴ Burghley's Notes in Murdin, *State Papers*, *ut supra*, p. 756.

⁵ Burgon, *Life of Gresham*, II. p. 28.

⁶ *Ibid.*, II. p. 33.

⁷ *Ibid.*, II. pp. 141, 158.

From 1560 to 1566 the financial situation was one of exceeding difficulty. There were several elements tending towards disaster. The loans abroad were all current for short periods and had been borrowed on the collateral security of the city of London. Therefore, any failure on the part of Elizabeth to pay either the interest or the principal, on its being demanded after the due date, would result in the seizure by the creditors of English goods in Flanders as satisfaction of the debt. Since the lenders were unwilling to renew the obligations, over a quarter of a million had to be found to pay off that amount of foreign debt. Further, the Newhaven expedition had cost a like amount, so that altogether half a million had to be found to meet these two extraordinary charges. The situation was further complicated by the decline in the Ordinary Revenue, owing to the interruption of trade during the plague¹. The emergency was met by sales of Crown lands, extending from 1561 to 1563, and in this way over £170,000 was obtained². In the Parliament of 1562-3, two-tenths and two-fifteenths were voted, and the clergy gave a subsidy of three-tenths, all of which together produced about £245,000³. By means of these receipts the foreign debt was reduced from £279,565, at which it had stood in 1560, to between £17,000 and £25,000 in 1565⁴.

The impossibility of borrowing abroad explains the failure of Elizabeth to adopt a more vigorous foreign policy, and it is probably to this cause and the falling off in the Ordinary Revenue that the summoning of a Parliament in 1566 is to be assigned, when one-fifteenth and one-tenth were voted⁵.

Towards the close of 1564 there were some signs of the beginning of a revival in trade, but the crisis left traces on the existing companies with the possible exception of the African Adventurers, whose trade was curtailed through other causes. The original African trade had depended on a very profitable exchange of English commodities against

¹ *Vide infra*, III. pp. 494, 497.

² Audit Office Declared Accounts 593/1. The Account of Thomas Gardiner (1561-3), State Papers, Domestic, Elizabeth, xxviii. 66. ³ *Vide infra*, III. p. 526.

⁴ *Ibid.*, III. pp. 496, 511.

Cost of Newhaven Expedition	...	...	£246,380
Foreign loan 1560	...	...	£279,565
" " 1565	...	...	17,000
Balance paid off	...	...	262,565
Extraordinary expenditure	...	...	508,945
Sale of Crown Lands	...	...	171,866
Subsidy clergy and laity	...	...	245,000
Extraordinary Receipts	...	...	£416,866

⁵ This grant was strictly speaking more than one-tenth and one-fifteenth *vide infra*, III. p. 526.

gold, ivory and spices. The voyages were made from England to Guinea and home again. The Adventurers had no dealings in slaves, but it is to be remembered that, unlike the Russia company, they had no monopoly, and therefore other Englishmen might touch at African ports. Accordingly, in 1562 John Hawkins seized 300 negroes by force and shipped them to the Spanish plantations. This expedition was profitable, and two others were undertaken in 1564 and 1567¹. But beyond the immediate profit to Hawkins and the adventurers who were in partnership with him in the first two voyages (the third was a failure), there were remote consequences, both political and financial. Owing to the Spanish royal monopoly of the negro trade in the West Indies, the "cargoes" of the ships could not be sold, except under the guns of the fleet, and it was only to be expected that collisions, between the Spaniards and the English, would occur. As affecting the existing Adventurers, the expeditions of Hawkins produced an impossible situation. The seizure of so many negroes by force resulted in a panic on the African coast, and the news spread with great rapidity. Hitherto the English had been distinguished amongst Europeans by a comparatively fair treatment of the natives. Now, when an English ship appeared, instead of being welcomed, it was received with hostility, and trade became exceedingly difficult. Moreover, at this period each voyage was conducted against a time limit; for, so as to avoid the unhealthy season, every effort was made to return within nine or ten months². This left a short time for the actual trading; and, when the natives were frightened, there was great delay. For these reasons, the last voyage mentioned, with which the Adventurers can be connected, was in 1566; and, after the final expedition of Hawkins in the following year, there is no record of a regular African trade until 1588³.

Although there is little information recoverable, as to the early history of the Russia company, there are indications which point to certain conclusions about its position at this period. While it did not aid, in relieving the financial strain at the beginning of the reign of Elizabeth, by furnishing a direct loan, there is reason to believe that by giving long credit for naval stores it lessened the calls on the resources of the administration. The original capital had been only £6,000 in shares of £25 each, and by 1563 a further amount of £115 had been paid in on each share. Therefore, at that time the whole capital was £33,600. It was probably due to the crisis of 1563-4 that it was necessary to call up an additional £60 per share (making £200 in all) and increasing the capital to about £48,000⁴. It may have been that

¹ *Vide infra*, II. pp. 8, 9.

² State Papers, Colonial, xi. 15.

³ There was a proposed expedition in 1582, *vide infra*, II. p. 10.

⁴ *Vide infra*, II. p. 40.

up to 1559 very large profits were made, in spite of the occasional losses of ships¹. The aim of the company was an ambitious one. It not only possessed the monopoly of exporting Russian commodities to England and of importing English goods into Russia, but, under its concessions in Russia, it had the sole right of bringing wax out of the country. Therefore it had the monopoly of this commodity, not only for England but for the whole of Europe and to a certain extent that of cordage also². In such circumstances the injury, done by the Reformation to the fishing trade, would not apply to that in wax, since any deficiency in the consumption in England would be made good by exporting to Catholic countries.

Unfortunately for the company, the capture of Narva by the Russians in 1558 opened a way for English and other interlopers³ to participate in this highly profitable trade. The new route was not only shorter, but very much safer than that discovered in 1553. In the midst of the troubles, due to the political situation up to 1562, all that the company could do was to hold its own. But, when Parliament had leisure to attend to minor matters, the question of the English trade to Narva was raised; and in 1566, as a reward for its assistance to the navy, the company obtained an act of Parliament, which was designed to effect a settlement. The occasion was one of no little interest in the development of joint-stock enterprise, since it affords an instance of a problem, that became of importance later, namely how far Parliament was prepared to recognize any trading privileges conferred by a royal charter. At this period the involved discussion of monopolies had not begun⁴, and the Russia company was more fortunate than many later undertakings in obtaining Parliamentary sanction of the privileges, previously granted by the Crown. The reasons determining this decision may be traced. By giving long credit, at a critical time, the company had deserved well of the State. Besides, it had not only past claims, but it could promise future benefits. The policy of naval power had been definitely enunciated⁵, and one essential in the programme was a ready supply of stores, such as cordage and timber for spars. It was required, too, that such a supply should be permanent, not intermittent.

¹ According to the account of the company, it was unfortunate up to this date, having experienced a "hard beginning," *vide infra*, II. p. 44. The members however had somewhat extreme expectations—cf. *ibid.*, II. pp. 44, 45.

² *Ibid.* pp. 40, 41.

³ The term interloper ("interleapers,") as applied to a person who invaded the privileges of a trading corporation, occurs in a petition of the Merchant Adventurers drawn up in the reign of Elizabeth—Schanz, *Englische Handelspolitik*, II. p. 587.

⁴ *Vide infra*, Chapter VI.

⁵ The development of this policy is admirably stated by Dr Cunningham in *The Growth of English Commerce and Industry in Modern Times* (Cambridge, 1903), pp. 63-74.

Now independent traders were the precursors of the owner of the modern tramp steamer. They sent their ships to certain ports, only as long as they saw a clear profit on the voyage. If the returns diminished, the ships went elsewhere; and, although it is clear that in time the lean years would have been followed by profitable ones, what doubtless weighed with the legislature was that, in the doubtful condition of the relations of England with other powers, with an open trade to Narva, in the circumstances indicated, the country might be unable to have efficient ships, when these were most needed. Therefore Parliament confirmed the monopoly, at the same time expressly forbidding other English merchants to trade either northwards, north-eastwards or north-westwards to any country that had not been "commonly frequented" prior to 1553¹. At the same time, the position of the independent traders was deserving of consideration. The government was anxious to encourage maritime enterprise, and an unsympathetic attitude to those, who had made a practice of sailing to Narva for several years, would have tended to check similar ventures. These men, too, had in all probability performed a public service in reducing the price of Russian commodities. Therefore, if the interlopers were to be sacrificed to a real or supposed political necessity, it was the object of Parliament to save them from actual loss. To carry out this idea, several provisos were added to the confirmation of the company's monopoly. It was enacted that the independent merchants might enter the company up to Christmas 1567, by contributing to the capital of the company as much as members, who had joined in the beginning, had paid on their shares². Unfortunately, beyond the wording of the act, there is no information as to how the financial details were arranged. At this period, and indeed for long afterwards, the connection between capital and commodities was much less disguised than it is at present. Capital was sometimes subscribed in the form of goods, and dividends were distributed in the same manner. A striking instance of the former may be noticed in the case of a Scottish gold mining company, which was floated at this time, in which, according to a contemporary account, the shareholders met together, and some provided corn, some malt, meal or other kinds of food and some money³. Probably what happened in the case of the Russia company was that the ships of the interlopers and their goods were valued, and shares given to the amount, so estimated. Whether this transaction was carried out by the creation of new shares or by the purchase of a sufficient number by the company and the transfer of these, in exchange for the goods taken over, is unknown. Judging by what happened much later in similar cases, it is probable that the latter and more cumbersome method was adopted. The reason was

¹ *Vide infra*, II. p. 41.² *Ibid.*, II. p. 42.³ *Ibid.*, II. 408.

that, in the evolution of the joint-stock company, the estimation of capital has become more flexible than it was at the beginning. The number of shares—almost invariably a multiple of twelve—was quite rigid, and there are few cases discoverable, until after the Revolution, in which the parts or portions, as they were called, were increased. If the sum paid up became inconveniently large, the shares were divided into fractions, but the original number remained unaltered. If the settlement was carried out in this manner, it accounts for the fact that the company appears to have borrowed money after this date. Such funds would be used in paying for the shares purchased for the persons, who were to become members under the act.

The fact of such a settlement having been made shows that at this period the company must have been making profits, exceeding 12 per cent. Obviously it would not be to the advantage of the new members to exchange their trading capital for a security, which would return them less than that amount, since, owing to the closing of the foreign money-market to Elizabeth, she would have been glad to pay this rate, or more, to obtain a loan. Probably the actual return was more, perhaps considerably more, but if the explanation suggested above, concerning the manner of adjusting the financial part of the settlement, is correct then it is plain that, if the profits exceeded the standard rate very materially, shareholders would not have been willing to sell. On this hypothesis, then, there is a hint of an upper limit, and it may be conjectured that in 1566 the dividends had been, or were expected to be, between 12 per cent. and 20 per cent.

In making such an arrangement, the company gained not only by the parliamentary confirmation of its monopoly, but also by the actual removal of competition. The outcome of the agreement for the new members, apart from unforeseen circumstances, would depend on the comparative efficiency of joint-stock, as compared with independent management. No judgment can be formed as to the result, since so many new factors were introduced into the situation in the next five years that methods, which would have made a profit at the earlier period, might have resulted in loss later. Lastly there was the effect of the settlement on the consumer. Since the government used the commodities, imported by the company, to a large extent, it is to be concluded that it would not acquiesce in the crushing of the independent trader, unless there were compensating advantages. The conditions of foreign trade have changed so much, since the time of Elizabeth, that it is exceedingly difficult to see events in their true relations. Some circumstances were so universal that men of affairs scarcely mentioned them, accepting them as axiomatic. Thus it frequently happened that conditions, which have passed away, were scarcely alluded to, and

it was just such conditions that were of prime importance. Chief amongst these was the fact that the right of entry into a country, such as Russia, depended wholly on the will of its ruler. To placate him, large sums had to be paid, and the company came under certain obligations. Independent traders were forced to outbid the established organization, and it was easier to do this in promises than in performances. When the promises were not made good, a man like the Czar of Russia was likely to visit his displeasure, not only on the offenders, but on all Englishmen. To prevent such an interruption in the supply of naval stores, it was considered best to confirm the company's monopoly. There was no limit in time attached to this confirmation, but it was enacted that, in the event of the company not trading to Russia by the northern route for a period of three years, the trade to Narva should be open to all, until the company again made voyages to Archangel. The effect of this clause was to provide at least a theoretical limit to the monopoly.

After the act of 1566, the unauthorized trade to Russia from England increased. Dutch merchants, too, began to find their way into the country, and by 1569 the trade of the company was less prosperous than it had been. Moreover the undertaking began to lose the support, hitherto given it by the Czar. Unfortunately, it is impossible to determine whether this was due to the machinations of rival merchants, or whether it is to be attributed to malpractices of the company's agents in Russia¹. In 1570 all its privileges in Russia were suspended. If it could be shown that the company had given the Czar no cause for complaint, this fact might be adduced as evidence in favour of the view that, since the right of Englishmen to enter the country was at the mercy of the ruler, any offence by one of them would be visited on all the rest; and therefore, in addition to the encouragement of the discoverers of a new trade, it was necessary that there should be a company with the monopoly of that trade. But, there is ample evidence that the company was exacting very high prices for English commodities in Russia, and so it might be contended, on the other hand, that the sentence of exclusion was to be assigned to its own short-sightedness, and that the trade would have been more satisfactory had there been no monopoly at this time. Thus it would appear, as far as events had developed up to 1570, that the withdrawal of the company's franchises in Russia might be due either to its own fault or to the abuses of the independent traders, each of which causes would have sufficed to produce the effect. It is not impossible that, although the company cannot be acquitted of blame, the weight of censure should be assigned to its

¹ *Vide infra*, II. pp. 42, 46, 47.

rivals, but the evidence pointing in this direction belongs to the next chapter.

Mention has already been made of the project to obtain some control of the production of cannon, and that in 1561 a grant of the privilege of mine royal had been made to two partners¹. The crisis of 1563-4 left its mark on this venture, as well as on most of the contemporary undertakings. The partners found themselves in want of capital, and in 1564 the undertaking was divided into twenty-four shares. As funds were needed, half of these were sold in Germany and half in England. The reports of the discoveries of gold in Scotland² raised the highest expectations of the profits likely to be made, and it is recorded that, in some cases, as much as £1,200 was paid as a premium in order to obtain admission to the company. Copper ore, containing silver, was discovered in Cumberland, calls were made on the shares, and by 1566 a considerable quantity of work had been done³. This undertaking may be regarded from two different points of view. The object of the shareholders was to obtain as much of the precious metals as possible. Should this object be achieved, the Crown would benefit under the royalty of one-tenth reserved by the original grant. On the other hand Elizabeth was also interested to a further extent, since the production of copper within the country would be a possible benefit for her arsenals.

The great use of copper, however, was not in its original form, but as brass for cannon. But to make the mixed metal, zinc was required, which had not been discovered as yet in England. It was no doubt satisfactory to the Queen and her ministers that in 1565 a group of partners offered to make the search; and, if they succeeded, to establish brass works and also mills for drawing the wire, used in making wool-cards. By November 1566 wire was successfully drawn, but at first the search for calamine was unsuccessful, and in 1565 it was necessary to import it⁴. However by June of the following year, the necessary ore had been found, and the erection of works was pushed on as rapidly as possible. As in the case of the Mines Royal it was found imperative to procure capital, by dividing the whole privilege into shares, upon which calls were made as required⁵.

One point of interest about this undertaking should not be overlooked. At first sight it would seem that its operations—namely the making of brass and wire—were disconnected, but this was not so in reality, since both were used in the production of wool-cards. What

¹ *Vide supra*, p. 31; cf. *infra*, II. pp. 384, 411.

² *Vide infra*, II. p. 407.

³ *Ibid.*, II. p. 385.

⁴ State Papers, Domestic, Elizabeth, xli. 12.

⁵ In this case into thirty-six shares.

is more striking is the existence in this undertaking of an "integrated industry." It owned "calamine mines" in Somersetshire. Thence the ore was conveyed to Nottingham or London (the company had brass factories at both places), copper was purchased from the Mines Royal society, and brass was made. In Monmouthshire the company was possessed of iron mines, whence it obtained ore to make "Osmond iron," which was drawn into wire. Finally, the wire (whether of iron or brass) was used in the manufacture of wool cards¹.

Both of these undertakings, at the inception, were in a somewhat unsatisfactory legal position. Ample privileges had been granted by Elizabeth to the founders but, by the sale of shares, their respective interests had been diminished. Moreover, in so far as the brass and wire works had to do with the woollen industry, it was especially open to the interference of Parliament. An effort was made to regularize the position, by the promotion of an act in 1566, but this met with opposition in the House of Lords; and later two bills were brought forward, but, since it was probably known that Cecil, Leicester and a number of other prominent courtiers were interested, there was opposition, and the proposed measures were withdrawn. On the same day—May 28th, 1568—charters were signed incorporating the two undertakings, the one as *the Governors, Assistants and Commonalty of the Mines Royal*, and the other as *the Governors, Assistants and Society of the Mineral and Battery Works*. Comparing the character of incorporation with that of the Russia company, drawn up fourteen years earlier, it may be noticed that, while the latter described itself as a company², this word is not applied to either of the mining ventures. The term "mysterie," too, is not used, nor "fellowship," while commonalty, which appears in the body of the Russia charter, is taken into the title of the Mines Royal. The description of the remaining undertaking as a "society" is of interest, as recalling the *societas*. It is noteworthy that, although the word "company" had been used to describe other organizations, as yet this term had not been applied officially in the four titles of joint-stock bodies, namely those of the Russia company, in its charter and act, and in the charters now described. In the grant to the Mineral and Battery Works it is expressly stated that the incorporation was granted, so as to prevent the great inconvenience which might otherwise arise on the deaths of the

¹ *Vide infra*, II. p. 413. It is assumed here that the company made wool-cards, although this is nowhere expressly mentioned. But unless this was so, the statement of Pettus that the factories (other than the wire and iron works) maintained 8,000 persons is inexplicable.

² *The Mysterie and Companie of Merchants Adventurers &c.*—the title of the syndicate before it was incorporated by charter—*vide infra*, II. p. 37.

then existing partners. With regard to government, both these charters revert to what may be described as the English model, in making provision for the election of governors, deputy-governors and assistants—the deputy-governor taking the place of the “consul” of the Russia company. The management in each case consisted of the same number, namely twelve persons, but the division of offices differed. In both there were powers to elect two governors, but while the Mines Royal had four deputy-governors and six assistants, the Mineral and Battery Works might choose two deputy-governors and eight assistants. It is not a little singular that in bodies where, even with a subdivision of shares, the membership would probably be small, provision was made for two governors. A duality at the head of the organization was a characteristic which had existed in some gilds, but, in view of its obvious inconveniences, it soon disappeared. Finally the charters recapitulate and confirm the privileges granted under the original agreements¹.

These two companies were closely associated, several persons owning shares in both. As capital was required calls were made on the shares, and in 1569 a sum of £850 had been called up on each of the twenty-four shares of the Mines Royal. At that time little, if any, copper had been actually sold, so that much expense had been incurred in the payment of wages since 1564. As very often happened in the case of early companies, there was great delay in the actual payment of the calls, and hence it cannot be concluded that in 1569 the whole £20,400 had been actually received.

The capital of the society of the Mineral and Battery Works cannot be fixed with absolute precision. It was more fortunate than the related undertaking in reaching the producing stage earlier, and in 1568 it was calculated that a call of £200, on each of the thirty-six shares, would suffice for the capital outlay. This would give £7,200. At a later date there is the important information that the expenditure, either on the brass works or on the iron works, was 10,000 marks or £6,666. 13s. 4d. The interpretation of this statement is discussed in the account given elsewhere of this company²; and, for the purposes of the present chapter, it is unnecessary to say more than that about 1568 the capital was between £10,000 and £6,000.

These figures enable some estimate to be formed of the capital subscribed to joint-stock companies before 1570. Trade with Africa, whether for gold or negroes, had come to an end for a time in 1567. The Adventurers had a capital of £5,000, and probably that employed in the voyages of Hawkins was about the same amount, so that the two

¹ *Vide infra*, II. pp. 386, 387, 415.

² *Ibid.*, II. pp. 416-18.

together required some £10,000. When these expeditions ceased, there was an increase in maritime ventures, which were on the border-line of piracy. Some of the more reputable of these were joint-stock enterprises; and, for purposes of a rough calculation, it might be estimated that the increase in such voyages consumed an amount of capital, roughly equal to that withdrawn from the African trade. Then the Russia company had called up £48,000 in 1564, and additions to the nominal capital may or may not have been made to carry out the settlement of 1566. In 1569 the capital of the Mines Royal and Mineral and Battery Works, taking both together, was about £27,500. So that the three most important companies had an aggregate capitalization of some £75,000¹. Making allowance for small industrial undertakings and for shipping expeditions, it might perhaps be estimated that the whole amount, invested in companies (as distinguished from partnerships), was somewhat more than £100,000.

Important as it is to obtain a rough approximation to the total capital, employed during the first fifteen years of the joint-stock company, such an estimate is devoid of all reality, unless it can be brought into contact with industrial phenomena, subject to a quantitative statement. Failing any reliable particulars of the total wealth of the country at this time, all that is possible is to take certain illustrative data. A single shipment of cloth by the Merchant Adventurers seems to have been from £50,000 to £60,000², so that roughly the capital, invested in companies, was double this sum. If, as recorded by Camden, the whole annual export of cloth by this fellowship was valued at 5 million ducats, or a million and a quarter sterling, the capital, so far invested in companies, was only one-tenth of that sum³. The nett Ordinary Revenue in 1571-2 was £209,912. 10s. 10d., so that the ratio to this sum was about 50 per cent.⁴

When capital was so scarce, much depended on the success or failure of these early companies. Yet the investigation of this question is one which fails to yield satisfactory results, if treated by the usual statistical methods. It must be remembered that, where there was a monopoly

¹ Russia Company, 1564	...	...	£48,000
Mines Royal, 1569	...	...	20,400
Mineral and Battery Works, 1568			7,200
			<u>£75,600</u>

² Burgon, *Life of Gresham*, II. pp. 325, 338, 340.

³ Camden, *Elizabeth*, *ut supra*, I. p. 108.

⁴ *Vide infra*, III. p. 514; cf. *An Abstract out of the Records of the Tower, touching the King's Revenue*, by Sir Robert Cotton, p. 2. This account is without the income from the Duchy of Lancaster and Court of Wards. Sinclair (*History of the Public Revenue of the British Empire*, 1803, I. p. 209), by very greatly overestimating these, obtains a total which is much too large.

and any particular trade or industry was profitable, the gains from it were carefully concealed. On the other hand, when an undertaking became involved in difficulties, information, more or less accurate, is almost always forthcoming. Therefore, as a general rule, it is fairly safe to assume that any company, concerning which there is no information for a number of years, was doing fairly well. Keeping this proviso in mind, it is possible to form some estimate of the general trend of profits. From this point of view, the history of the Russia company may be divided into three nearly equal periods. From 1554 to 1559 profits may have been exceedingly large¹, from 1560 to 1566 the trade was only fair, from 1566 to 1570 it appears on the whole to have been bad. As already shown², the gains of the African trade were at first enormous, and a profit of from 40 per cent. to 60 per cent. was counted poor in comparison. The first two of Hawkins' expeditions conformed to about the same standard, yielding a profit of a similar amount. The Mines Royal up to 1570 had given no return whatever, but there is reason to believe that the Mineral and Battery Works had already begun to make a considerable gain. It is clear then that, on the whole, the profit from joint-stock management was increasing the capital of the country. Perhaps the position might be stated more accurately in the following terms. During the period under notice, interest paid abroad by the Crown varied from 14 per cent. to 12 per cent. This rate is a more satisfactory criterion, with which to start, than the interest mentioned in the various acts, dealing with usury. If then the investigation be not extended beyond the year 1570, taking the companies all over, if they were successful financially, the original capital must have been either intact or returned to the shareholders at that date and in addition interest of about 13 per cent. must have been paid, during the time the capital was actually risked. By 1570 it seems probable that the assets of the Russia company were worth considerably less than the nominal capital, but there is no means of knowing how much of the original subscription had been returned in the form of dividends or divisions³. The issued capital increased slowly between 1554 and 1558-9; and, if the accounts of the early successes of this undertaking can be

¹ As stated above (p. 35 note) this interpretation of the situation is contrary to the account given by the company; but, in that statement, attention is concentrated on the unfavourable aspects of the trade, such as losses of ships. The eagerness of interlopers is evidence that, occasionally, large profits could be made.

² *Vide supra*, p. 23.

³ For instance, it is known that the Persian Voyage of 1578-81, which was described as unsuccessful, returned a division of 106 per cent.—*vide infra*, II. p. 45.

accepted, it would necessarily follow that, during these years, very large profits were distributed. It never was the policy of the Russia company to form a reserve fund, and so the large profits, made at the beginning, would be divided. The subsequent calls would only represent a part of these, and therefore, even if the whole capital called up in 1570 were lost, it is possible that there may have remained, not only the original investment, but interest at the standard rate thereon. The Mines Royal company had been in existence at the same time for about six years, and had made no profit, while its assets had suffered some deterioration; but on the other hand the Mineral and Battery Works had increased its plant out of profits, besides paying dividends. Therefore the loss of the former would probably be balanced by the profit of the latter. As shown above¹, it is probable that the Russia company may have more than held its own on this basis of calculation, and finally very large returns had been made by the African trade.

Thus the direct effect on the accumulation of capital was important; but there was the indirect one, which was probably greater, in the subsidiary trades, which grew up as a result of the new developments in industry. For instance the Mineral and Battery Works, in so far as it made brass and drew wire, had introduced in the former an altogether new trade and in the latter a new method. These two industries together maintained over 10,000 persons²; and in addition there would be all those, who worked up brass for any purposes, not undertaken in the company's factories.

It is to be noticed, further, that in all these cases the capital was divided into shares. To understand the position, it should be noted that the share, "portion," or "part" was dealt with in a less complex form than is customary at the present time. In a modern company, owing in part to the limited liability acts, what is fixed is the denomination of the share, while the number of shares will vary with the progress of the undertaking. In the first Elizabethan companies, on the contrary, what was fixed was the number of shares; and the sum, called up on each of them, increased from time to time. Thus, if further capital were needed, it was provided in the early company by adding to the sums already called up; whereas, in the modern one, as a rule, once shares have been fully paid, developments are provided for by the creation and issue of new shares.

This method of capitalization had two consequences. In the first

¹ *Vide supra*, pp. 37, 43.

² *I.e.* 8,000 in the brass works (Pettus, *Fodinae Regales*, p. 33) and 400 families by the iron works. Lansd. MS. (British Museum) 56, No. 47, § 4.

place it might happen, as in the case of the Mines Royal, that it was necessary to call up an unexpectedly large amount. Therefore, in some cases, shareholders had not capital available to make the necessary payments; and, if only a single share was held, it became necessary to divide it into fractions, and, by selling a part, to realize enough to pay the calls on the remainder. Besides, a share, such as that in the Mines Royal with £850 paid up, would be difficult to sell, so that there was a second cause tending towards subdivision, and, so early as 1571, halves, quarters and even eighths had come into existence¹. When it is remembered that there was an important group of German shareholders in the Mines Royal, it is possible that this process of subdivision may be traced to foreign influence; since, early in the sixteenth century, shares in German mines had been split up into small parts².

In the second place, "the share" at this time was used in its natural sense, namely as an appreciable part of the whole undertaking, not as a multiple of units of the capital. The person, who owned one share in the Mines Royal considered himself as an owner of one twenty-fourth part of the whole, and similarly, if he had two shares, he thought of his property as a twelfth³. In this way the Elizabethan company may be regarded as an extended partnership, in which each participant possessed a considerable portion of the business; and this idea was strengthened, in the rare but by no means isolated case of the African Adventurers, where there were chief adventurers, with others under them. At the same time, the distinction between the company and the partnership is sufficiently clear. The shareholders in the former were capitalists, controlling the business, but not taking part personally in the management. Moreover, the company had rules for the transaction of its business through orders of general meetings, as distinguished from the prompter, but less formal decisions of a partnership. Within certain limits, there was another difference, namely that there was some approximation to a free market in the shares. This freedom of sale was relative rather than absolute. In the Mines Royal, for instance, no one could become a member, unless he held a certain amount of real property. Most of the early companies probably began by being exclusive, in the sense that shares were sold amongst persons, known to each other. But with the calls required, the sale of shares or parts of shares would be made to those, who would offer most, and, to that extent, there would be a comparatively free market, although the transactions might not be

¹ *Vide infra*, II. p. 387; cf. p. 414.

² A. Zycha, *Zur neuesten Literatur über die Wirthschafts- und Rechtsgeschichte des deutschen Bergbaues in Vierteljahrschrift für Social- und Wirthschaftsgeschichte*, v. p. 284.

³ Cf. the passage quoted *infra*, II. p. 395 (note 5).

numerous. In this way men like Cecil, Leicester, Mountjoy and Pembroke became associated with an Italian such as Benedick Spinola¹ or with merchants, who had capital to invest, or again with persons, who though they could only purchase a fraction of a share, had special knowledge of mining or of the smelting of iron. Finally, it may be added that the incorporated company was distinguished from the partnership by its perpetual succession and common seal, in fact many of the more important undertakings were granted elaborate coats of arms with supporters, mottoes and crests².

¹ Cecil and Spinola were two of the largest shareholders in the Mines Royal, each owning two whole shares—*vide infra*, II. p. 387.

² The exigencies of space have precluded the inclusion of the arms of the companies in Part II., Division XIV. Those of the more important enterprises are engraved in *A New View of London* by Edward Hatton, 1708, and are described in *The General Armoury* by Sir Bernard Burke and *The Scottish Ordinary of Arms* by James Balfour Paul.

CHAPTER III.

THE CRISIS, 1569 TO 1574.

UNDERLYING the great material progress made by England from 1564 to 1569, there were many causes, which, while temporarily increasing the wealth of the country, led inevitably to a crisis. The political exigencies of the early years of the reign of Elizabeth had made the employment of privateers necessary. These vessels, by preying on the Spaniards, increased the wealth of the country, but it was only to be expected that, when the inconvenience to Philip became insupportable, he would retaliate.

Such were the essential elements of the crisis which began at the end of 1568. The steps leading to it were a stage in the diplomatic contest which involved the fate of England and Scotland. Although the French had been ejected from Scotland, Mary believed herself sufficiently strong to make headway against Elizabeth, and Scottish emissaries were in frequent contact with Elizabeth on behalf of the Protestants, and with the English Catholics on behalf of Mary. Then came the Darnley marriage in 1565 and the defeat of the Protestant forces by Mary. At this time the prospects of England were more critical than any but the most far-seeing statesman recognized. Should Mary be able to crush the Reformed Religion, there was the danger that Scotland might be made the base, whence either a French or Spanish army could invade England. With regard to Scotland again, which from this point of view might become the strategic key to the whole European situation, neither Queen nor Congregation had sufficient resources to keep an army in the field for the period necessary to bring the quarrel to an absolutely decisive issue. The whole balance of power was too delicate to be disturbed by the overt act of any one country, without others becoming involved. Thus, no aid in men could be sent to either side, but Elizabeth followed her former policy of being prepared and of sending subsidies to the Protestant leaders, while Mary succeeded in obtaining 20,000 crowns from Philip¹. Matters dragged

¹ *Documents from Simancas*, edited by Spencer Hall, London, 1865, p. 97.

on for over a year, by staving off any actual conflict outside Scotland. Spain was occupied in the attempt to suppress heresy in the Low Countries, France was distracted by religious wars, England was paralyzed by the fear of a Catholic insurrection. For the time the position of England was surrounded by dangers, and safety lay in the preoccupations of France and Spain and their jealousy of each other. Fortunately, from the point of view of the interest of England, the policy of delaying an actual conflict was justified by events. The murder of Darnley indirectly strengthened the position of Elizabeth, owing to the suspicions, entertained by many, of the complicity of Mary. Her marriage with Bothwell, not only caused trouble in Scotland, but alienated her supporters in England. Finally, when she was forced to take refuge at Carlisle, although many troubles remained to be faced, the immediate risk of the situation was averted for the time.

No doubt, for a number of years up to 1568, the most pressing and immediate danger was to be expected from Scotland; but, in the pre-occupation of English statesmen with this, there were other menaces which could not be ignored. The condition of Flanders reacted in several ways upon England. In so far as the stubbornness of the burghers, in refusing to give up at the fiat of Philip the religion they had adopted, kept Spain engaged in the Low Countries, the effect was favourable to England. Moreover, the arrival of skilled refugees was most beneficial in introducing the secrets of several important industrial processes. These tendencies constituted the gain of the situation, against which the losses must be allowed for. The confusion in Flanders had for the time destroyed the money-market at Antwerp, and the result was most serious to the finances of England. In spite of economies, Elizabeth had been unable to escape from debt. When the country had been rearmed, subsidies had to be given to the Protestants in France and Scotland. Therefore, the increasing difficulty of renewing the Crown loans reacted on the whole policy of Elizabeth, and tended to limit her powers of initiative. In fact many of the complaints against her parsimony, as well as much of the apparent vacillation in her public actions, are to be attributed to this cause. Moreover, the theory was accepted, at the Court of Philip, that England was a rallying point for heretics, and the obstinacy of the Protestants in the Low Countries was assigned to the example of England. Thus Philip was hostile to Elizabeth as a Protestant sovereign, not only on general grounds, but even more through the encouragement, which her example gave to his own revolted subjects.

Another related phase of the same political problem was the existence of the English privateers. The unsettled condition of Europe

had diverted merchants from their former routes; and, at the same time, the great profits of distant trading voyages had induced persons owning ships to desert the older and less profitable trades for these more adventurous expeditions. In such enterprizes the merchant and the man of arms could unite. But the accession of the latter tended to add to the risks of such voyages, for he had not the trader's respect for law, and he was prepared to seize wealth where he could find it, irrespective of payment. This train of events might be described as the purely economic element in the new foreign trade. But that trade was far from being conditioned by economic causes only. At the beginning of the reign of Elizabeth, she was glad to avail herself of the services of armed vessels, which received letters of marque. These ships occasioned great inconvenience to the French in aid of the Huguenots; and, in the diplomatic situation, such a policy possessed the advantage that it could be disowned, should events require such action. Great as were the services rendered, and even allowing for the inestimable value of privateering, as a training-school for a naval power, it must be recognized that these ventures possessed certain inconveniences. The procession of Spanish ships, sailing to Flanders through the Channel, was too tempting to the privateersman, and frequent captures were made. The men of Devon were not skilled in the subtleties of diplomacy, and they seized Spanish vessels, even in English waters. Naturally Spain retaliated, and English crews taken were handed over to the Inquisition. As the news of the sufferings of the captives was circulated amongst the shipping population, a spirit of revenge came into existence; and the seamen were bent as much upon destroying Spanish ships as on seizing their cargoes. In June 1567 the ambassador of Philip described the losses as without remedy and without end¹, while the annual damage was estimated at 300,000 ducats². The following year the issue between the two countries came to a head. Alva had found it impossible to maintain his army in the Low Countries out of the resources obtainable there, and it became necessary to find funds to pay the troops. Philip negotiated a large loan³, which was remitted in bullion, carried by a number of vessels. The English privateers, acting as they claimed under commissions from the Prince of Condé, attacked the fleet, some of which were taken and the remainder driven into English ports. What would have happened is difficult to determine, and, in any case, an altogether new element was introduced into the situation. While the Spanish ships were sheltering,

¹ Froude, *History of England (Reign of Elizabeth)*, II. p. 482.

² *Ibid.*, III. p. 326.

³ According to Sir John Sinclair (*History of the Public Revenue of the British Empire*, London, 1803, I. p. 217) amounting to 400,000 crowns.

news arrived from Hawkins. Mention has been made elsewhere of his third voyage¹. At one stage of the expedition, he calculated that he had bullion and goods of very great value. Unfortunately for himself, his crew and the adventurers, all this was lost in the encounter with the Spanish Fleet at St Jean de Luz, and many of the sailors were captured. The arrival of the news of this disaster, at a time when England held in her grasp the Spanish treasure-ships, inevitably provoked schemes of retaliation. There seems little doubt that, had the ships been allowed to sail, nothing could have saved them from the privateers. Elizabeth dared not allow a Spanish fleet to come as a convoy, and she could scarcely be expected to lend her own. Eventually, the whole treasure was taken, as it was said, for safe keeping, until it could be handed over to the rightful owners. For some time, Elizabeth and her ministers played the rôle of the honest banker; but the political and financial situation rendered it almost impossible to maintain more than a show of honesty. At this period money was a most important element in war. Few princes could obtain sufficient funds to drive home their victories. Time must elapse before Philip could secure fresh resources; and, meanwhile, Alva would be impeded by the discontent of his men and Orange proportionately encouraged. These were the chief political reasons for preventing the treasure from reaching its destination. From the financial point of view, even stronger arguments could be urged, not only to retain the money, but even eventually to divert it altogether. The terms of the loan to Philip were such that the Genoese bankers, who found the bullion, engaged to deliver it to Alva. Therefore, Philip's liability did not begin, till delivery was made in Flanders. This being so, Elizabeth could argue, plausibly, that the retention of treasure, which was imperative owing to the presence of Condé's privateers, was no real loss to Philip. Moreover, owing to the practical closing of the Antwerp loan-market, the arrival of the money was a god-send to Elizabeth. She was in an excellent position to bargain with the owners. Should any political crisis arise, the treasure could be used immediately. Meanwhile, questions of ownership could be raised, which would require time to settle, and, in the interval, Elizabeth was in the happy position of possessing a "war-chest," without having to pay interest on the capital that formed it. Finally, should it be necessary to use the bullion, it would be possible to obtain favourable terms from the owners of it, since the debtor, who gets his loan before agreeing to terms, can usually make an arrangement moderately satisfactory to himself. From the point of view of those, who found the money—faced as they were by innumerable legal questions, and by the practical impossibility of getting the bullion

¹ *Vide infra*, II. p. 9.

out of England—it would be more advantageous to accept any rate of interest obtainable, than to run the risk of ultimate loss of the whole. By August 1569 overtures had been made by the bankers, and Gresham gathered the impression that they would be “right glad” to receive interest for a loan of such part of the bullion as might be withdrawn from the Tower¹.

The detention of the Spanish treasure might be described in the language of diplomacy as a necessity, but it was plain that the motive was to impede the operations of Alva with a view to assisting the Protestants in the Low Countries. Therefore, it lay with the Spanish administration there to exact reprisals in any manner open to it, short of a declaration of war. Alva acted promptly, and in January, 1569, he gave orders for the seizure of all English goods within his jurisdiction. Elizabeth countered this stroke by confiscating the merchandize of Spanish subjects in England, so that by February, 1569, commerce with the Low Countries was interrupted.

It needs little consideration to discover that the effects of these prohibitions constituted a dangerous dislocation of trade. Contemporary writers, viewing events on the surface, congratulated themselves on the excess of goods, so obtained, over the losses². Possibly this may have been so; although, owing to England being a debtor country, over a period of years there would necessarily be an excess of visible exports³. In any case, even if there were a balance of seizures in favour of England, allowance must be made for the loss of an important market and for the disturbance of production over the whole country. Already, owing to the close relation of the English wool trade with that of Flanders, both had suffered from the troubles in the latter place. In addition to this, after the edict of Alva, the cloth-making industry was reduced in output; although, owing to the even greater stoppage of Flemish weaving, the price of a smaller volume of sales may not have diminished as much as might have been anticipated. Moreover, at a time when capital was scarce, the resources of traders were locked up for a considerable period.

¹ Burgon, *Life of Gresham*, II. p. 304.

² E.g. Camden, *Annales Rerum Anglicarum, regnante Elizabetha*, 1717, I. p. 177.

³ The following “memoranda” by Cecil give the values ascertained up to April 1569—

Goods of the Merchants Adventurers, seized in			
Low Countries	...	...	£112,456 7 1
Goods of Merchants of the Staple	...	...	17,994 9 10
Goods of English Merchants in Spain	...	...	59,783 15 7
			£190,234 12 6
Goods of strangers, seized at London	...	...	37,486 0 0

(The details of seizures elsewhere are not filled in.)

Calendar, State Papers, Foreign, 1569–71, p. 67.

The English merchant, whose goods were seized, might be reimbursed eventually out of the property of Spaniards in England; but, in the meantime, his business was at a standstill. The reduced foreign market lessened the consumption of wool, and so the purely domestic trade began to feel the effects of the check. Moreover the good years, from 1564 to 1568, had encouraged a spirit of enterprize, and many merchants had pledged their credit. The disturbance of existing commercial relations caused numerous traders to be unable to meet their engagements, and thus failures became frequent, with the result that it was not long before the beginnings of a crisis were in existence. Then political events gave a further shock to mercantile credit. The Catholic party formed a plot, in conjunction with Alva, for the seizure of the fleet of the Merchant Adventurers, which was carrying a year's supply of cloth and yarns, valued at about £100,000, to Hamburg, whence they had removed their mart, so as to be outside the jurisdiction of Alva¹. It was anticipated that, should these ships be captured, there would be great discontent in England. Probably the noblemen, who were responsible for this scheme, relied on the distress of the mercantile classes; still, if these were wholly or mainly on the side of Elizabeth, the attainment of this contingent object of the plot would have been doubtful. It may be one of the numerous inconsistencies in the British character that traders, whose sole motive appears to be that of gain, can yet, in the hour of a great emergency, subordinate their individual interests to the national welfare. Happily for the merchants, already sorely tried, their loyalty was not subjected to further strain, for the fleet arrived in safety.

During the latter half of the year 1569, further Catholic plots were simmering, which culminated in the insurrection of Norfolk in November and December. In a country, where production has reached some degree of complexity, even the danger of revolution injures the ramifications of commerce. This rebellion, short as it was, increased the crisis which had already begun. Failures became more numerous, and the Crown finances were again strained by the expenses, connected with the suppression of the insurrection, added to which there was the outlay on Ireland, which for some time had been considerable². The Crown debt in Flanders, which may have been as low as £17,000 in 1565³, was returned at as much as £192,500 in the following year⁴. As already

¹ *Die Entwicklung und Organisation der Merchant-Adventurers*, by S. van Brakel, in *Vierteljahrschrift für Social- und Wirthschaftsgeschichte*, v. pp. 425-7.

² *Vide infra*, III. p. 527. Up to August 31st, 1570, the total charge of the Army in the North is returned at £20,140. 16s.; whereof £8,616 had been raised by loan (*Calendar, State Papers, Foreign*, 1569-71, p. 328). The whole cost was £92,932.

³ *Vide infra*, III. p. 511.

⁴ *Calendar, State Papers, Foreign*, 1566-8, p. 21.

shown¹, the situation in the Low Countries made lenders disinclined to furnish Elizabeth with funds, and the increase in her borrowings was only obtained by an addition to the rate of interest. Though the political outlook had improved in 1566-7, the new loans were made at a higher rate of interest than had been given earlier in the reign; and it appears, at this time, as much as sixteen per cent. was paid². The subsidy, granted by Parliament in 1566, was payable in the two following years; but, against this, there were the expenses of the rebellions in Ireland and in the North. To meet the exigency, it was proposed to raise money by means of a lottery; but, before the drawing was made, the Spanish treasure had been detained, and the prizes were not distributed until 1569³. Meanwhile, although the Spanish bullion was in the Tower, it had not been drawn upon; and, not only were there the expenses of the army, as well as the need for being ready for any naval demonstration made by Philip, but the revenue derived from the Customs had declined seriously, owing to the embargo on trade with Flanders⁴. Gresham had been sent to try to borrow in Germany, but was unable to report any success. He returned to London and made efforts to obtain capital there, but was forced to confess, in October 1570 that he "never saw the scarcity of monny as ys here now in the City⁵." Under these circumstances, Elizabeth was compelled to summon a Parliament which met in April 1571. While the need for a subsidy was admitted, some attempts were made to use the opportunity to obtain a reform of certain grievances. References were made to the abuses of "licences and promoters," whereby "a few only were enriched and the multitude impoverished⁶"; and hints were dropped, which pointed to the Queen's favourites in this connection. It was also urged that there had been fraudulent bankruptcies amongst certain high officials in the Treasury. These men, it was said, "had become bankrupts, like so many others at this time," but had been found to have purchased estates, which were concealed, when only an instalment of the debts due was paid. Eventually the subsidy was granted by the House⁷.

The prevailing distress engaged the attention of Parliament, and an act was passed to amend the law relating to bankrupts, the preamble

¹ *Vide supra*, p. 32.

² *Calendar, State Papers, Foreign*, 1566-8, p. 271.

³ *A History of English Lotteries*, by John Ashton, London, 1893, pp. 5-24.

⁴ *The Journals of all the Parliaments during the Reign of Queen Elizabeth*, Collected by Sir Simonds D'Ewes, London, 1682, p. 139.

⁵ Burgon, *Life of Gresham*, II. p. 419.

⁶ D'Ewes, *Journals*, *ut supra*, p. 158.

⁷ This amounted to $\frac{1}{5}$ ths and $\frac{2}{10}$ ths (*Statutes*, IV. p. 563) realizing £116,000 (*State Papers, Domestic, Elizabeth*, ccxlv. 51).

of which stated that "bankrupts doe still increase into greate and excessive numbers and are lyke more to do¹." Somehow or other, the members connected the existing crisis with the taking of interest, and there was an important debate on this subject on April the 19th. It was evident there were two quite distinct points of view. One of which, relying on Scripture, Aristotle, Canon Law and other authorities, denounced usury as a "canker," an "asp," a "serpent" and a "devil." It was argued that this practice resulted in loss to the Queen and State. The loss to the Queen arose from "men not using their own money, but finding great gain in usury, do imploy the same that way, so that her Customs must decrease. To the commonwealth, for that, whoso shall give hire for money, is to raise the same in the sale of his commodity. All trades shall be taken away, all occupations lost; for most men seeking most ease and greatest gain, without hazard or venture, will forthwith imploy their money to such use." This standpoint had weight in the act which was eventually passed, in which "the utter undoing of many gentlemen, merchants and others" was attributed to usury. But the opinions of the more moderate party were embodied in the last clause, which, instead of prohibiting the taking of *all* interest, declares contracts, at a rate exceeding ten per cent., should be void. The justification of interest was well expressed by a member, named Molley, who said that the "mischief was of the excess, not otherwise. Since to take reasonably, or so that both parties might do good, was not hurtful; for to have any man lend his money without any commodity, hardly should you bring that to pass. And since every man is not an occupier who hath money, and some which have not money may have skill to use money, except you should take away or hinder good trades, bargaining and contracting cannot be [hindered]²." It is a curious comment on the debate of 1571, that Elizabeth had to pay about 13 per cent. in the following year. This is sufficient testimony both to the inefficacy of the measure and to the necessities of the Crown.

The subsidy of the laity in 1571, partly through the depression in trade, partly through other causes, produced a lower yield per tenth and per fifteenth than those of 1562 and 1566³. Early in the year it was necessary for Gresham to prolong the existing debt, which was then returned at £59,584. 8s. 8d.⁴ of which less than half was outstanding at London and the remainder in Antwerp⁴. The statute of usury, which had just been passed, was evaded by the loan being

¹ *Statutes*, iv. p. 539.

² D'Ewes, *Journals*, *ut supra*, pp. 171-3.

³ *Vide infra*, iii. p. 526.

⁴ *Ibid.*, iii. p. 511. These figures relate to the debt under the management of Gresham.

described as for six months at 6 per cent., with an additional 1 per cent. commission, making the total charge a minimum of 13 per cent.¹ In all probability, the great reduction in debt from nearly £200,000, due in Flanders in 1566, to under £60,000, owing both in Antwerp and London in 1570 and 1571, is to be ascribed to the use made of the captured treasure. Statements of the actual amount in the Tower vary, owing to inventories being taken sometimes of the coin only, sometimes of coin and bullion, and in some of the accounts the value is expressed in Spanish or Flemish currency. On the whole, the totals tend to diminish. Thus in a statement, apparently drawn up in 1569, there was over £90,000 in coin and bullion, and by 1571 there remained £87,457. 16s. 4d.² Possibly, before the first account was taken, a considerable sum had been borrowed, and there is evidence of a great pressure on the finances of the Crown, since the repayment of sums, that had been borrowed in London about 1569, was two years overdue³. Apparently, although the total debt of Elizabeth had been reduced, the reduction on balance was less than would appear, being rather effected by the incurring of new liabilities elsewhere, partly to the Genoese bankers, partly to merchants in Hamburg⁴.

Elizabeth, having secured the bullion intended for Alva, was not indisposed by the month of May 1571 to open negotiations for the removal of the embargo on English goods in Flanders. The political objects, gained by the seizure, had cost a serious decay of trade; and, even though Spain may have suffered more in goods lost, the southern commerce of that country was continuing with comparatively little disturbance. Therefore, if the percentage of loss be taken as affecting on the one side Spain with the Low Countries and England on the other hand, the latter was at the greater disadvantage in the reprisals. Granting that Spanish merchants had had goods valued at 3,000,000 ducats seized or destroyed, England's trade was at a standstill, and, being the poorer country, the loss was all the more felt⁵. The rumours of a projected Spanish invasion, as well as the Catholic plot towards the end of 1571, made an agreement all the more necessary. Eventually, in April 1572 an arrangement was made, under which trade with Flanders was reopened.

Apart from the Massacre of St Bartholomew in August of the same year (1572), the political causes of the crisis had ceased to exist; and, had it not been for other reasons, the depression would have passed away. It unfortunately happened that, beginning with 1571, there was

¹ *Calendar, State Papers, Foreign*, 1569-71, p. 463.

² *Ibid.*, pp. 163, 523.

³ Burgon, *Life of Gresham*, II. p. 421.

⁴ *Ibid.*, II. p. 418.

⁵ Froude, *History of England (Elizabeth)*, IV. p. 242.

a run of exceptionally bad seasons, which lasted until 1573-4. In the latter years the price of wheat was nearly three times as great as it had been in 1570¹. But, although this time of scarcity delayed the process of recovery, the crisis was passing away; and, towards the end of 1574, the country began to emerge from the period of depression, while in 1575 the material progress, that had been interrupted since 1569, was resumed.

The severity of the crisis of 1569-74 is attested by its effects on the existing joint-stock companies. Allusion has already been made to the want of flexibility in the capitalization of early companies. Under a system whereby the number of shares was rigidly fixed, fresh capital was most readily obtainable by making calls as required. But in a time of crisis, it would almost certainly happen that some of the shareholders could not make the necessary payments, and the system of sub-division of shares came into existence. Still, even with this modification of the original rigidity of the system, the undertakings, in existence at the time of the crisis, found it difficult to weather the storm; and methods had to be devised to meet the exigencies of the case. These took different forms as originated by the various companies.

The privileges of the Russia company in Russia were suspended in 1570, but the disorganization of English and other merchants there was such that, in 1571-2, the Czar was prepared to renew the former grants to a group of traders². In connection with the question discussed in the previous chapter³, as to the issue between the company and the interlopers, this fact tends to show that, although both sides were in fault, probably the lesser blame is to be assigned to the company. Thus about 1572, the situation of this undertaking was that it was in a position to make a fresh start, but this was by no means easy at the close of a long continued crisis. Much of the subscribed capital had been lost, and more funds would be required. It would be impossible to collect a call on the existing stock, and therefore it was determined to start a "new stock," or, as we should say now-a-days, a reorganized company. It seems possible, as suggested in the detailed account of this enterprize⁴, that those who were prepared to go on agreed to pay a certain sum to the members of the old company for its privileges and assets. This amount would be available to discharge the debts, and any balance remaining would be divisible amongst the former members.

¹ *A History of Agriculture and Prices*, by J. E. T. Rogers, iv. p. 267; *Chronicon Preciosum or an Account of English Money, the Price of Corn and other Commodities* [by Bishop Fleetwood], 1707, p. 123.

² *Vide infra*, II. p. 43.

³ *Vide supra*, p. 38.

⁴ *Vide infra*, II. pp. 44-6.

The same effect of the crisis, in separating those who were able to continue to support the undertaking from those who were not, showed itself in a different manner in the case of the Mines Royal. This company was caught by the crisis in the difficult position of not being fully established. Moreover, of the calls of £850 made on each share, about £2,500 was in arrear in 1571. There was the further difficulty that, owing in part to the depression, some of the copper made could not be sold. Any arrangement for the future would be complicated by two elements. In the first place, about ten shares were owned in Germany¹, and there would be delay in agreeing upon a common line of action. Secondly, at this period, the operations of the society were being carried on only in the Keswick district, while there remained a number of other counties, included under the grants and charter, which had not been examined. The first recorded step was to frame a valuation of the assets, which were actually in existence in 1571, and a full summary and analysis of this document is given elsewhere². The whole recorded value comes to over £12,000, as against capital actually subscribed by the shareholders of about £18,000³, or an apparent depreciation of one-third. As against this deficiency, there were several unvalued assets, chief of which were 281,424 quintals of unassayed ore⁴. If allowance be made for these additional portions of the company's property, and it be assumed that, including them, there were assets against the capital actually paid up, it is quite plain that, as things were in 1571, those shareholders, who gave a premium of £1,200 for their holdings, had made a great miscalculation.

The main question, however, was what could be done. If the copper could not be sold nor the outstanding calls collected, it would not be long before the "directors⁵" at the mines would be unable to pay wages, and the whole undertaking would collapse. In this exigency it was proposed that the English shareholders should purchase each his rateable proportion of the stock of copper, at the price at which it was usual to value it in the accounts of the company. This proposal

¹ In the thirteenth and fourteenth centuries mining companies were known in Germany, and, early in the fifteenth century, there was extensive speculation in the shares of these ventures—G. R. Lewis, *The Stannaries*, pp. 178, 182.

² *Vide infra*, II. pp. 387-9.

³ <i>I.e.</i>	24 shares at £850	...	...	...	...	£20,400
	less 3 shares with calls wholly or partly in arrear, say					£2,400
					Cash received by society	£18,000

⁴ *Vide infra*, II. p. 390.

⁵ The term director appears to have been of Dutch origin—*De Hollandsche Handelscompagnieën der Zeventiende Eeuw*, door S. van Brakel, 'S-Gravenhage, 1908, p. xxiii.

constituted in fact a method of obtaining more capital from the English shareholders, giving them the security of an equal value of copper against the advance. But the shareholders would have been forced to run the risk of finding a market for the copper, and probably some of them had not the capital available, though there is no doubt several were in a sound position financially, since the names of two members of the society occur amongst those who made a loan to Elizabeth at this time, and these two—Benedick Spinola and Lionel Duckett—lent between them £4,100¹.

This proposal having failed, it was suggested that Elizabeth might be induced to accept the royalty of one-fifteenth, reserved to her, in kind, not in cash. At another time this method might have answered, since a considerable amount of copper was required to replenish the supply of guns for the fleet, but at this period the Queen needed the money, owing to the impossibility of arranging new loans to any considerable extent abroad. It follows then that this way out of the perplexities of the society was closed. Finally, as the copper was made, it was sent to London and deposited as security against a loan, which by 1575 had grown to £1,350². Even though by that time the crisis was over, capital could not be obtained from the members, and Elizabeth, who was receiving about £400 a year for her royalty, was induced to lend £2,500. This loan, however, was only a temporary one, for the Queen could not afford to be out of the money for long; and, if the undertaking was to continue, fresh resources must be found. The system adopted was an ingenious one. The society, as a whole, "farmed" or leased the Keswick mines to one of the members at a rent and royalty. In this way a subsidiary company was formed and the partners in this venture would find the capital required.

The same system of farming a part of the property to a subordinate partnership had been adopted by the Mineral and Battery Works; but, as far as can be learnt, from different reasons. The iron and wire mills were at some distance from the other factories; and, either because they did not pay or because it was difficult to obtain adequate supervision, in 1571 these were leased to three shareholders for three years at a rent of £150 a year. One of the partners, Sir Richard Martyn, purchased more shares in the parent undertaking; and, when the time came for a renewal of the lease, he owned seven or eight—that is between a quarter and a fifth of the whole business. He used his voting power, supported,

¹ State Papers, Domestic, Elizabeth, LXXVII. 29 (1); Burgon, *Life of Gresham*, II. p. 343. In 1573 Spinola was repaid £11,000—State Papers, Domestic, Elizabeth, XCI. 57.

² The Extract of the Mines Royal at Christmas anno 1575. British Museum, Lausd. MS. 22 (5); cf. *infra*, II. pp. 390–3.

it is alleged, by fraudulent accounts, to obtain in 1574 a reduction in the rent from £150 to £40. This event brings to light one of the great dangers of the farming system between parent and subsidiary companies. As matters were arranged in the sixteenth century, a conflict of interest was inevitable. It was the interest of the original company to obtain as much rent or royalty as it could, it was the interest of the lessees, provided their share in the subordinate undertaking was the greater, to pay as small a sum as possible. The result would be that the men, who were interested in both, would be strongly tempted to use indirect means to effect their objects. It might be, as in the case of the court meeting of the Mineral and Battery Works in 1574, by framing accounts which showed a profit only one-seventh of the actual one¹; or as was proposed to (but not accepted by) the governor of the Mines Royal at a later date, that, if he would use his influence on behalf of a person wishing a lease, when a subordinate company was being formed, he should receive, without payment, a number of shares in the new venture². When one recollects the amount of discussion that has centred round "controlling interests" and the shifting of responsibilities from one company to another of an associated group in recent years, it is not uninteresting to notice how soon the evil manifested itself. At the same time, certain points of difference between the Elizabethan and the modern problem should be noted. The "farming" was always the result of financial pressure. To understand the circumstances, the great scarcity of capital must be remembered. When crises were so frequent and so severe, even a profitable undertaking might find itself in temporary difficulties. There was no banking system in England, and those members of a company, who could furnish it with funds when these were most required, could exact a high price for the service rendered.

Reference was made in the previous chapter to the manner in which capital was regarded in the early joint-stock company³. A series of accounts of the Mines Royal enable that statement to be developed further. These documents are dated 1575-6, and so, in strict chronological order, they belong to a period after the crisis; yet, since in many respects they reflect the influence of that time of stress, it will be more convenient to deal with them at the present stage⁴.

It should be premised that in none of the documents relating to English companies in the sixteenth century has the word "capital" been

¹ A Summary of Avenant's Bill of Complaint on Her Majesties behalf exhibited in the Exchequer Chamber: Brit. Mus. Lansd. MS. 56 (47) §§ 6, 7; *vide infra*, II. p. 419.

² Lansd. MS. 28 (6).

³ *Vide supra*, p. 45.

⁴ These accounts are summarized *infra*, II. pp. 392-3.

discovered¹. The term stock is used in a general way, as co-extensive with the whole property, but more frequently to apply to what might be termed trading or floating capital. For instance, in the inventory of the mines at Keswick there are two headings, the first of which is "the stock remaining at the mines." This "stock" includes copper, silver and lead (either finished or partly made), fuel, horses and wagons, furniture and bedding, plate, debts due to the society, payments made in advance, tools and implements, also a brew-house and windmill². These items could all be included under floating-capital except the brew-house and windmill. Possibly, as having to do with the feeding of the work-people, it seemed to the framers of the account not unnatural to classify them in this manner. The second part of the account, which is added as a kind of appendix and which is treated as quite distinct, includes buildings and plant.

At this period there was no need of a term to describe the whole outlay. As yet, the company stood in this respect too near the partnership for the want of a capital account to be felt. The idea of capital, as something which should be kept intact, was unknown, and very much later the payment of dividends out of capital was quite usual. In fact the temporary joint-stock, such as that of the African expeditions, made this method of procedure unavoidable. As the goods brought home were sold, the adventurers received payments *pro rata*; and, when the voyage had been a success, they obtained more than they had paid in, if it was a failure, they might get less. For such circum-

¹ This statement must be confined to the accounts of companies. The word capital does occur in other connections, *e.g.* as early as 1564 a grant was made of the capital message and park of Copthall in Essex—State Papers, Domestic, Elizabeth, xxxiv. 44. The term also appears in accountancy as early as 1569, when it was used by James Peele, who taught the "art of Italian merchants' accounts." In a dialogue between "the scholmaster and the scholler," the latter describes "an inventorie for trafique" as "a note to be taken in writinge of all thinges, founde and remayninge in the house apperteyninge to trade of merchaundise, thereby to knowe a mans estate and doth consist of ii kindes: the one whereof, is that a man hathe or ought to have in possession, to saye in readie monie, debtes and goodes: and thother kinde, is that which he oweth to other men being his creaditours, and by comparinge of the totall somme of the readye monie, debtes and goodes, with the totall somme of the creaditours, the estate of that accompte is presentlye perceyved (that is to saye) so muche as the monye debtes and goodes sormounte the creaditours, so muche apperteyneth to thowner of that accompte for his proper stocke or capitall in traffique"—*The Pathewaye to Perfectnes, in th' Accompte of Debitour and Creaditour: in manner of a Dialogue, very pleasaunte and profitable for Merchautes*, by James Peele, London, 16 August, 1569. In Murray's *Dictionary* the following references are given: 1588, J. Mellin's *Briefe Instr. B. II. b.* "The remaine is the net rest, substance or capitall of the owner"; 1611, "Capital—wealth, worth, a stocke, a man's principall or chiefe substance."

² *Vide infra*, II. p. 388.

stances the view, commonly held, of the nature of stock was sufficient. The case was different where the sums adventured remained represented by the same kind of acknowledgement from the company—that is where the member, in return for his payments, had a right to a certain proportion of the whole. It is here that the relatively small number of shares becomes important. Martyn, for instance, had eight shares in the Mineral and Battery Works; and therefore the quarter of the undertaking, he owned, was represented to his mind by the price he had paid for those shares. If, as time went on, he could sell them for more, the excess was profit, and conversely. A few cases occur where it is necessary to speak of the whole cost of establishing an undertaking, that is what, in modern language, would be called the capital outlay, and in two cases this is described as "the charge" or "charges".¹ At the same time, occasionally the writer drifts from the standpoint of regarding the undertaking as a single unit and expresses the whole cost in terms of the amount paid on each share, which is to be understood as multiplied by the number of shares. Thus, in describing how the Mines Royal "began and went forward," the outlay is given in terms of the calls on each share.² Therefore, as far as the joint-stock company of this period was concerned, there was no need for the word "capital," since the shareholders were unconscious of any necessity to describe the thing. Even the "stock" was still vague in their minds. What really concerned them was that there should be sufficient funds to carry on their enterprize and to leave a surplus. Before this profit was arrived at, it may have happened that, as in the case of the Mineral and Battery Works³, expenditure had been made on additions to the undertaking—that is, in fact, that the funds, according to modern practice, available for dividend, had been diminished, and capital outlay was provided from revenue. But conversely, should the trade decrease, the resources, which would thus take the form of cash, would be treated as divisible and paid away to the shareholders, as if the whole were profit. Most of these characteristics may be seen in the accounts of the Mines Royal in 1575 and 1576. In these documents the whole preoccupation of the shareholders is to obtain a sufficient amount of income over expenditure. It is true that, in this case, such excess was devoted to

¹ *E.g.* Mineral and Battery Works—"The societie had been at charges in the premisses to the value of 10,000 marks"—Lansd. MS. 56 (47) § 4: *e.g.* in "Notes of Richard Leedes, Keeper of the books of account of the Royal Mines in the North," it is stated the *whole charge* of the general company and their farmers had been" &c., State Papers, Domestic, Elizabeth, cclxxv. 145.

² Record of George Bowes and Francis Needham, sent to take view of the Mines Royal at Keswick: MS. Lister, 17, Bodleian Library.

³ *Vide infra*, II. pp. 417, 418.

the paying of interest and the extinction of debt; but, had the society not been in difficulties at the time, the surplus would have been, from the point of view of the times, available for dividend. As a matter of fact it is shown, in the analysis of these figures, that the profit, which appeared to be made, was obtained by diminishing the reserves of ore¹. This fact indicates one of the ambiguities which arose from the vague use of "stock." The "stock of the mines" might mean either the metal smelted, ores on hand, tools and provisions or the provisions and cash available for wages and dividend. Now it is plain that, since it was proposed to divide the copper to the shareholders, no distinction was made between these two points of view; yet, supposing a dividend had been made out of the cash, it follows that "the stock" remaining would have decreased. Further, when the term stock was used later in the precise meaning of capital subscribed—that is where the capital consisted of "stock," not of shares—the confusion would become intensified. "Stock" might then mean the whole "charges" or total outlay; or it might mean, in a narrower sense, the sums provided by the shareholders, or again, in a still narrower sense, only the floating capital. It will be shown below how an effort was made to escape some of these ambiguities, by distinguishing a "quick" and a "dead stock²," but even so some confusion remained, and, once this was recognized, the need of a new word would be felt and hence the use of the term capital. In the sixteenth century, however, the predominant type of company was the temporary undertaking, divided into a comparatively small number of shares. Such were the African expeditions and the trade to Russia. Indeed, as has been shown, this idea, that a "stock" should be something terminable at an early date, prevailed in the cases of the Mines Royal and the Mineral and Battery Works, resulting in the formation of subsidiary companies or partnerships. Therefore, as yet, for all practical purposes the prevailing vague use of "stock" sufficed, and it lay with the course of future development to bring to light the ambiguities, involved in the term.

To complete the history of companies during the crisis of 1569 to 1574, a few words may be added as to the financial results during this period. Of the three important companies the only one that may have made profits was the Mineral and Battery Works³, both the others were in difficulties, and all of them emerged from the depression in an altered form.

In view of the severity of the crisis, new enterprizes were not undertaken. There is only one instance of a fresh departure, which deserves mention from some peculiarities in the organization of the partnership.

¹ *Vide infra*, II. pp. 393, 394.

² *Ibid.*, II. pp. 138, 145, 147, 170, 173, 185.

³ *Ibid.*, II. p. 418.

This was a project of Sir Thomas Smith (who had been Ambassador to France and, later, Secretary of State) for transmuting iron into copper. He began his experiments in 1571 and there were in all five persons concerned in the venture, the whole capital of which was no more than £1,000. In January 1574 a patent, incorporating the persons interested as *the Society for the New Art in Making Copper*, was signed. This instrument provided for the election of one governor and one deputy-governor, and that the whole undertaking was to consist of five shares. At the same time there was a clause limiting the membership to twenty persons¹; so that, had any partners beyond the original five been admitted, it would have been necessary that (as in the case of the African Adventurers) these should have been "under" the chief shareholders². The reason for this arrangement seems to have been the existence of a personal liability for £1,000, entered into by the promoters, on obtaining a lease of certain buildings for the making of experiments³.

¹ The explicit limitation of the number of members is an interesting anticipation of the provisions, relating to "private companies," in the Companies Act of 1908.

² *Vide supra*, p. 30.

³ *Calendar, State Papers, Domestic, Addenda* 1566-79, p. 47; *The Life of Sir Thomas Smith*, by John Strype, Oxford, 1820, pp. 100-5, 282-6.

CHAPTER IV.

FROM 1575 TO 1587. THE ELEVEN YEARS OF GREAT PROSPERITY.

ONE of the peculiarities of a new country in its industrial development, such as England was in the sixteenth century, is the elasticity of its recovery from a crisis. Beginning in 1575 there were eleven years, which despite temporary disturbing influences, as for instance many political uncertainties and localized outbreaks of the plague (1577, 1583), may be described as exceptionally prosperous. The harvest of 1575 was excellent—indeed, in Scotland more particularly, it was said that wheat had never been more plentiful¹. Crime had decreased, as was shown by the fact that at the London sessions of 1575 there were no prisoners to be tried². Partly by rigorous economy, partly no doubt through the use made of the “Spanish treasure,” the Chancellor of the Exchequer was able to state in Parliament that, “within the realm, her Majesty hath most carefully and providently delivered this kingdom from a great and weighty debt, wherewith it hath been long burdened—a debt begun four years, at the least, before the death of King Henry the Eighth and not cleared, until within these two years.” That the State was at last freed from “the eating corrosive of the interest” was proved by the fact that the Queen’s bonds, issued with the collateral security of the City of London, had all been paid off and cancelled³. At the same time, it may be doubted whether the foreign, as distinguished from the domestic debt was altogether paid off. Some of the Spanish treasure was retained in England, for which Elizabeth became liable to the bankers of Genoa. Eventually Benedick Spinola purchased this obligation from the original lenders; and just a month before it was stated in the House of Commons that the debt had been extinguished,

¹ *A Collection of State Papers*, 1571–96, transcribed by William Murdin, London, 1759, p. 285.

² *A History of London*, by William Maitland, London, 1756, i. p. 263.

³ D'Ewes, *Journals*, p. 245.

he wrote pressing for payment of the balance which was then still outstanding¹.

It was no doubt true that, owing in a large measure to Elizabeth paying interest regularly and returning at least a part of the principal when due, her "credit, both at home and abroad, was greater than that of any other Prince²." Philip of Spain, for instance, had been forced sometimes to pay 12 per cent. and 18 per cent. on loans, the interest on which was in arrear³. Since Elizabeth was practically free from debt, it is difficult to obtain any quantitative estimate of the value of her credit. As, however, she lent money in 1575 to the society of Mines Royal at 8 per cent.⁴, it may be assumed that she herself was not paying, or would not have been required to pay, more. This estimate of her credit is confirmed by the fact that her envoys discovered in 1576 that, at Hamburg, 100,000 guilders could be borrowed for two years at 8 per cent. or 9 per cent.⁵ Indeed, at this period there is mention of an offer being made of £200,000 or £300,000 from Cologne at between 5 per cent. and 6 per cent.; but, when investigation was made, it was found that this offer was conditional on the renewal of all the former privileges of the Merchants of the Steelyard in London; and, supposing the loan were needed, the saving in interest would have been bought at a high price, when the loss in Customs was taken into account⁶.

The reduction in the rate of interest is strong testimony to the sound state of the Crown finances and, indirectly, to the thriving condition of the country. As compared with France and Spain, England had enjoyed a lengthy period of comparative peace, yet internal troubles had made themselves felt. The danger of a Catholic insurrection still remained and, beginning in 1574, there had been a revolt in Ireland. As arising out of this period of comparative peace, the benefits of the Reformation and of a government, good on the whole, had had time to make themselves felt, and the spirit of enterprize adapted itself to the changed conditions, which were manifesting themselves more and more. The continuance of the destructive war in the Low Countries tended to the disturbance of the wool industry, and the English capital, so displaced, had to find fresh outlets. Much of the prosperity of the years from 1575 to 1586 depended on the fact that

¹ Spinola to Lord Burghley, Jan. 10, 1575. *Calendar, State Papers, Foreign*, 1575-7, p. 3.

² D'Ewes, *Journals*, p. 245.

³ Anderson, *Historical and Chronological Deduction of the Origin of Commerce*, Dublin, 1790, II. p. 188.

⁴ *Vide infra*, II. p. 391.

⁵ *Calendar, State Papers, Foreign*, 1575-7, p. 411.

⁶ *Ibid.*, pp. 122, 137, 176, 207, 208, 226, 250, 261, 262.

Englishmen had the initiative and the courage to discover profitable openings for the resources, so released.

The crisis of 1569-74 was remarkable in so far as the companies, then existing, emerged from it in an altered form—the Russia company as a new undertaking, the Mines Royal and Mineral and Battery Works as parent bodies, leasing certain parts of their property to associated or subordinate organizations. It has been shown¹ that the roots of this change lay in the previous development of the joint-stock company, so that, under the change, there is in reality continuity. Another side of the enterprize of the period is to be found in the remarkably successful privateering expeditions, and these, also, are to be connected with the crisis and the years that went before it. On the one hand, there had been the expeditions of Hawkins to the West Indies, followed by the seizure of the Spanish treasure—events which showed the vulnerability of the fleets sailing from America—and on the other hand, there was a certain amount of displacement in capital, previously employed in trade with the nearer European countries.

While the desire to make a fresh start manifested itself most strikingly in the expeditions against the Spaniards, the same impulse is to be traced in the undertakings already in existence. In the case of the Mineral and Battery Works the system of leasing or “farming” the wire-works came into existence, as already mentioned², in 1571. The subordinate company had endeavoured at the end of 1574 to obtain a reduction of the rent from £150 to £24 a year. As against this offer, another group of shareholders tendered 500 marks, whereupon those in possession increased their bid to £200 a year, at the same time binding themselves to erect additional plant. At the end of 1575 the rent increased, probably through similar competition, to £290 a year—that is, it had almost doubled in five years³. By 1580 the partners were protesting bitterly against this rent, as excessive, while counter charges were made of concealed profits and of “indirect getting of voices” at the court meetings, and, as a result, in 1582 a lease was made to a new partnership at 1,000 marks or £666. 13s. 4d. a year, which again is more than double the former rent⁴. A few years afterwards as much as £1,100 a year was offered for the Monmouthshire works. Providing the higher rents were paid, these alone would represent a respectable return on the original capital, altogether irrespective of the large profits of the brass-works. Owing to some uncertainty, as to how various statements relating to the capital of this company are to be interpreted⁵, it is impossible to say exactly how

¹ *Vide supra*, p. 56.

³ *Vide infra*, II. p. 419.

⁵ *Ibid.*, II. pp. 417, 418.

² *Vide supra*, p. 58.

⁴ *Ibid.*, II. p. 420.

much the return actually was, but, supposing the wire and iron-works could be leased at £1,000, this would yield apparently about 14 per cent. or 15 per cent. on the whole share capital, and, in addition, there were the profits of the brass-works.

The importance of correcting one source of information with another is shown, when this system of farming is investigated. As practised by the Mineral and Battery Works, it resulted in endless charges of fraud and betrayals of one group of shareholders through another. In the case of the Mines Royal, when there were at least two subsidiary companies existing simultaneously, no such allegations were made. In another respect too, the Mines Royal differed from the related undertaking. Unfortunately for its shareholders, it was far from a successful venture during the first years of its history. Up to 1575, no dividends had been paid. At the end of 1576 the accounts showed that a profit of about 5 per cent. appeared to have been made on the nominal capital. This, for the time, was a very low return, and it represented only 2 per cent. for those shareholders, who had bought at a premium. Moreover, the profit was apparent, rather than real, since it had been earned by suspending the work of development¹. The funds, obtained in this way, were used in reducing the debt due to Elizabeth, and it was not long before difficulties were again encountered. By 1579 the members were faced by the alternatives of either paying a call of £40 per share or leasing the Keswick mines. At first, the best offers they could obtain were either to be freed from liability, or else to reserve themselves a share in the profits that the persons, actually working the mines, expected to make. Eventually from 1580 to 1583, a shareholder obtained separate leases for the Keswick and Cornish mines, engaging to pay the royalty to the Queen and a rent in money to the society besides a portion of the copper or silver won. Under this arrangement in 1586, the society was receiving, in rents and estimated royalty, £900 a year, yielding about $4\frac{1}{4}$ per cent. on the nominal capital. In the following year, however, a very important discovery of silver was made at Combe Martin. This mine was situated within the area, reserved to the society, and therefore it is probable that either a rent or royalty was received. Should this have been so and should the company have been able to exact the terms it claimed in other cases, it is possible that all the capital hitherto expended was returned to the members. It is recorded that the partners made a profit in two years of £60,000. This would be clear of royalty to the society, which, on the basis of one-third of the whole profit, would have been £30,000. At the same time, it may have been that this mine was granted directly

¹ *Vide infra*, II. pp. 393, 394.

from the Crown, in which case no profit would have accrued to the society, and there is a certain amount of indirect evidence in support of this interpretation of the facts, since the rent, received for the Keswick mines, was set aside to extinguish the balance of the debt. The results obtained by Smith and his partners are detailed elsewhere; and, speaking generally, it seems that up to about 1589 he was making a profit at Keswick, but that he had incurred considerable loss in Cornwall¹.

The society of the Mines Royal deserved to meet with more success than it actually obtained. Burghley was governor; and, during the sixteenth century, its management was enlightened. The shareholders, too, were alert and enterprising, many of them frequently visited the mines and suggested improvements. A large amount of prospecting work was accomplished, miners being sent to Ireland as early as 1571 to look for copper and lead mines there. The skilled men at Keswick were treated, on the whole, with consideration. Although it was natural that shareholders, who had invested large sums and who had to wait almost indefinitely for a return, should complain, the society was always prepared, once it was receiving rents, to spend a part of its revenue in making fresh discoveries; and, on many occasions, it remitted a portion of the rent, due by farmers who had fallen into difficulties.

A comparison of the Mines Royal with the Russia company at this time shows the error of judging on *a priori* principles, unsupported by evidence. Stating the matter abstractedly, it would seem that the management of an undertaking, composed partly of noblemen, partly of gentlemen, partly of merchants, would be less successful than that of another (such as the Russia company), where the mercantile class was in a great majority. Yet as a matter of fact this was not so. The organization of the mining venture has, as far as recorded, escaped blame; while there are very numerous complaints of the almost complete failure of the governor and assistants of the other body to exercise an efficient control over its factors in Russia. This had been the chief cause of the small amount of success, which had attended the first Russia company; and, after the formation of the new joint-stock, about 1573, the same evil continued². Still as far as can be gathered, this venture was much more fortunate than its predecessor. There were two main reasons for the improvement. In the first place, there can be no doubt that the management was most enterprising in making new discoveries; and, during the closing years of the previous company, expeditions had been made by the Volga and the Caspian Sea into

¹ *Vide infra*, II. pp. 395-9.

² *Ibid.*, II. pp. 42, 46, 47.

Persia. Circumstances precluded the former adventurers from profiting by the discovery, which was the most valuable asset transferred to the new company. At first sight, it may seem that the idea of bringing Eastern commodities by the White Sea and the Baltic involved an unnecessary amount of transportation. But, at this period, English ships had not established a regular trade into the Mediterranean. The risk from the Barbary pirates, the hostility of the Turks and the uncertainty of the attitude of Spain made such a voyage one of remarkable hazard. Therefore, up to the foundation of the Levant company in 1581¹, it is probable that the Russian route was the less dangerous of the two. Now this trade gave England a very strong position in the European market for spices and drugs—in fact the Russia company, having failed to establish a European monopoly in wax and cordage, was successful for a few years in making one in Oriental commodities. Therefore, there is every reason to believe that, from 1573 to 1581, this part of the trade was exceedingly remunerative, as is shown from the suggestion made by Mendoza, the Spanish Ambassador in England, that a special envoy should be sent to intrigue with the Tartars to induce them to interrupt the trade².

In the second place, the growth of luxury, after the privateers began to capture Spanish treasure, increased the demand for the goods brought from Persia; while the activity in English shipping added to the steady demand for ropes and sail-cloth. To some extent, the decline of the export of cloth, by withdrawing shipping from the North Sea trade, would diminish the consumption of these commodities, but this loss to the Russia company was more than made good by the requirements of ships, sailing to the West and South. Moreover, the losses of spars and rigging, either by storm or battle, were much greater in the new voyages than in the old; and, altogether, the imports of naval stores were increased materially during the existence of the second Russia company. Therefore, up to 1581, both branches of the undertaking were flourishing exceedingly. There is no means of obtaining a quantitative estimate of the profits made beyond the statement that the last Persian expedition, which was counted unfortunate, owing to the loss of two-thirds of the goods, returned the shareholders 106 per cent.³

After 1581 the Eastern trade was abandoned, owing to the increasing dangers of the route, and the company had to depend upon its original Russian trade. This may have afforded a respectable

¹ *Vide infra*, II. p. 84.

² *Calendar of Letters and State Papers, relating to English Affairs, preserved principally in the Archives of Simancas*, 1580-6, pp. 365-8.

³ *Vide infra*, II. pp. 44, 45.

return¹, although the dividends would have been inconsiderable, as compared with the 300 per cent. or 400 per cent. that may have been paid during the best years of the Persian expeditions; but the company determined to share in the prosperity of the privateering enterprizes, and it is said to have subscribed £4,000 to the voyage sent out towards the East by the adventurers in Frobisher's Voyages². As far as is known, this venture was not successful, and by 1583 the company was in difficulties. In 1586 it was decided to transfer the remaining assets to a new company which came into being at that date³.

Two questions of some interest arise, in connection with the history of the Russia company from 1573 to 1586. In several respects, had it been able to recommence the Persian trade, it would have found a rival in the Levant company after 1581. In fact, the great caravan route from India through Persia would have been common ground to both, and therefore, although each had a monopoly as against any other Englishmen using its route, both would be, in a sense, competitors. Were it true, as generally assumed, that the Levant company was a regulated one, it would be of interest to endeavour to ascertain what were the grounds for re-introducing this type of organization, and that, too, at a time when the most important joint-stock company and the only one, as yet, for foreign trade was doing remarkably well. But, although the Levant company was undoubtedly a regulated one at a later stage of its history, it may not have been founded as such. There is, at least, some evidence that would point to some such conclusion. At its foundation, Elizabeth lent the governor and three assistants a sum of over £40,000, obviously a part of the great capture brought home by Drake in the previous year⁴. Now, it is unlikely the loan was made to these merchants, as individuals, and previous experience had shown that it was difficult to collect large sums from a regulated company. Besides, in 1583 Mendoza wrote that efforts were being made to raise a large capital, to sustain the "Levant negotiation." Not only had the richest merchants and companies contributed, but Elizabeth and members of the Privy Council had subscribed, so that altogether £80,000 was raised⁵. It is difficult to understand how the Queen and noblemen could have joined in the venture, had it been a regulated company, since this would have involved the supervision of his investment by

¹ The last season's account of this group of adventurers, made up to December 1585, gave a total division of £108. 17s. 8d. per cent. So many of the debts, reckoned as good, proved bad, that the shareholders were assessed to make good the loss.—*Infra*, II. p. 47.

² *Ibid.*, II. pp. 81, 82.

³ *Ibid.*, II. p. 48.

⁴ *Notes of Queen Elizabeth's Reign* by Burghley in Murdin, *State Papers*, 1571-96, p. 747.

⁵ *Calendar of State Papers...in the Archives of Simancas*, 1580-6, p. 432.

each member, in purchasing goods and sending an agent to sell them in Turkey, besides marketing the commodities brought back in his ship¹.

In another connection the position of the Russia company is important at this time. Under the act of 1566 it had the sole right of trade with countries "not commonly frequented" by Englishmen, discovered by its agents, either to the north, north-east or north-west of London². The company prosecuted its discoveries vigorously. By 1556 the north-eastern passage had been traced as far as the river Obi³. Then in the next ten years, the route to Persia had been found and trading posts established. In this way the energies of the company were diverted from the finding of a north-western passage, and, when in 1569 Frobisher believed he could accomplish this discovery, he was prevented by the privileges of the company⁴. It required a letter from the Privy Council to force the company to license Frobisher's first expedition. The necessity for such an order seems to point to an abuse of the monopoly by the adventurers to Russia, but they had certain arguments in favour of their action. Frobisher and his associates were unable to convince the company that the proposed expedition was really designed to search for a north-west passage, and the vagueness of the scheme raised suspicions that "some other matter was meant by the parties⁵." The attitude of the company, towards other expeditions to America, shows that it was not adverse to encouraging such ventures, provided it was shown that no attempt would be made to enter the market, reserved to the undertaking in Russia. For instance, after some negotiation, the company licensed a proposed expedition of Humphrey Gilbert in 1567, stating that it "very well liked" the suggestion that he should be governor of any territory he planted in America⁶. Again in 1583, when Christopher Carlile was arranging for a voyage to the "hithermost parts of America," the articles were drawn up by a joint-committee, composed partly of Carlile's associates and partly of members of the Russia company⁷.

By either itself opening new trade routes, or encouraging others to do so, the Russia company constituted the pivot of maritime enterprise to the north. This might be described as the legitimate expansion of English foreign trade up to 1580. At the same time, there was another side to the same movement, which was of a different character. This was the series of expeditions for the plundering of the

¹ *Vide infra*, II. pp. 84, 85.

² *Ibid.*, II. p. 41.

³ *Ibid.*, II. p. 76.

⁴ *Ibid.*, II. p. 77.

⁵ *The Three Voyages of Martin Frobisher*, edited by Rear-Admiral Richard Collinson (Hakluyt Soc. 1867), p. 89.

⁶ *Vide infra*, II. pp. 241, 242.

⁷ *Ibid.*, II. pp. 242, 243.

Spanish plate-fleets and settlements in America. The origin of such ventures is to be found in the crisis of 1569-74, partly arising from the diversion of shipping from the Baltic trade, partly in the successful seizure of the Spanish treasure in 1568. Before this date, there had been a large amount of English piratical privateering, that is, the depredations on Spanish commerce within the Channel and other home waters. Legally, perhaps, the unauthorized expeditions towards Spanish America were of a similar kind, but, morally, some excuse may be made for them, although they cannot be altogether extenuated. International law at this period was in its infancy, if indeed it could be said to exist at all. To the English sailor the sea was open to all, and the man, who had a grievance against any nation, might exact reprisals on his own account. Unquestionably the Spaniard was within his rights in closing the ports of the countries in his occupation in America. The adventurers, who like Hawkins, tried to trade, in spite of this well-known prohibition, must have expected to run the risk of loss of ships and cargoes, but what roused intense indignation in England was the policy of consigning such men, as were captured, to the tortures of the Inquisition. Most of the raiders of Spanish commerce had lost relatives or friends in this way, and it was not contrary to the spirit of the time for those, who had been aggrieved, to take the law into their own hands, by exacting retribution how and when they could. It was for this reason that these adventurers aimed as much at the doing of wanton damage as securing plunder. Spontaneous action of this kind, while it enormously complicated the perplexities of the political situation, had the effect of teaching the world the high value set by Englishmen on the lives and liberties of their fellow-countrymen.

The epoch of the raids on Spanish commerce is one of great importance in the progress of England. For upwards of twenty years, the power and wealth of Spain had been menacing Elizabeth. Her statesmen had tried to weaken or embarrass Philip by assisting his revolted subjects in the Low Countries, but what Flanders was to Spain, Ireland was, to some extent, to England¹. From 1574 Philip was able to adopt an exactly similar policy in supporting the insurrection against Elizabeth's government, so that the diplomatic strife had resulted in a drawn battle, the only effect of which had been a very serious drain on the finances of Philip and a considerable one, now beginning, on those of

¹ Thus Burghley speaks of Flanders as the "counterscarp" of the defences of England. Similarly Hatton describes Scotland and Ireland as a "postern-gate" by which "the entries and ways to our destruction may most aptly be found."—*The Lord Treasurer Burleigh's Advice to Queen Elizabeth in Matters of Religion and State*, in Somers' *Tracts* (1752), XIII. p. 106; *Memoirs of the Life and Times of Sir Christopher Hatton*, by Sir Harris Nicolas, 1747, p. 158.

Elizabeth. It remained for the seamen of England to discover the most vulnerable part of the power of Spain; and they did this, quite unconsciously, with a view to avenge personal wrongs and for their private profit. At this period few, if any, understood the importance of power on the sea. Spain was drawing much of its wealth from America; and the galleons were ill-adapted for preserving the necessary communications, free from interruption. Spanish naval construction, for a number of years, had failed to advance; while that of England was daily adapting itself to the new circumstances, that confronted the maritime population. English ships were being built so as to give both speed and capacity for manœuvring. Probably there was no aggressive intention in this development. For it was forced on those, who navigated the northern seas, so as to be able to avoid ice-floes, or to sail in safety along an unknown coast. Thus English ship-building was evolving a medium-sized, agile ship; while the Spaniards continued to build their slow and massive galleons. Therefore, when the privateers began to engage the plate ships, they soon found that superior speed more than compensated them for their smaller tonnage, and Spanish naval power was tersely described as "a Colossus stuffed with clouts."

The privateering expeditions against the Spaniards in America constituted the training school for the battle against the Armada. The bravery of those, engaged in them, has been a source of gratification to Englishmen for many generations. Naturally, the courage shown and the victories won have excited attention and even pride in the historians of the period. Yet there was another side to these voyages, namely their effect on the social progress of the country, the means by which the objects gained were effected and the result of the whole movement on the commerce of the country.

The raids against Spanish America from 1568 up to the time of the Armada divide themselves naturally into two groups; the earlier of which ends with the return of Drake's expedition round the world in 1580. In both series there is the common element that all of them, of which there is any record, were conducted by joint-stock companies. This plan had many advantages. Financially it enabled the investor to distribute, and so minimize the risk of a hazardous enterprise. Suppose, for instance, a capitalist was prepared to adventure £2,000 in privateering, he could only fit out one ship of about 200 tons or two smaller ones. His expedition might be too weak to make any captures of importance, or it might be sunk by the Spaniards. If, on the other hand, he joined in several larger expeditions, even if one of these were a total failure, he had every prospect of obtaining handsome profits from his shares in the others. Moreover, the sole-owner was subject to a further risk.

Even if he succeeded in taking prizes, the Spanish ambassador had agents at all the chief ports, and demands would be made for the return of the captured ships and goods. Whether these were complied with or not depended partly on the political outlook at the time, partly on the amount of influence that could be brought to bear in favour of the privateersman. Obviously a company or syndicate, which included amongst its members prominent personages at Court, was much more likely to be allowed to retain its prize than the single unsupported adventurer. Besides, there was not only financial, but personal risk to the individual owner of a privateer. There was always the danger that, under pressure from Spain, the English government might hold him criminally liable for any loss of life, occasioned by his ships in an engagement at sea. This risk was eliminated by the formation of a syndicate or company, which conducted its operations in secret, and the members of which, although they might be suspected, remained undetected. There was a further advantage in the management of such enterprises on a joint-stock basis, which applied to the later raids and which was wholly political. Elizabeth herself was able, by taking shares in an expedition, to control its management; and thus she was in the strong diplomatic position of obtaining all the gain of carrying on a localized war against Spain and escaping most of the disadvantages. Should any particular expedition result in extreme complications, it could be disavowed; and there would be no proof that the government had been in any way committed to it. There was also the further immense saving to the Crown that certain ships of the navy were kept in commission and the crews trained, without involving any charge on the finances.

To understand fully how these objects were accomplished, it is necessary to investigate the internal organization of the privateering syndicate. In the special circumstances, it is only to be expected that information is difficult to obtain. The whole operations were conducted with the greatest secrecy, since success depended on the raid being made at a place where the Spaniards were unprepared. The spies of the Spanish ambassador were always on the watch to glean any news that might be useful, and even the smallest hint might have occasioned disaster. It was for this reason that, it is related, Elizabeth swore she would have any man's head, who informed the King of Spain about the fitting out of Drake's expedition in 1577¹. There was yet another cause that accounts for the lack of detail of the internal affairs of these undertakings. The capital required was found only for a specific expedition. When the ships returned and the captures had been sold,

¹ *The Great Lord Burghley*, by Martin A. S. Hume, London, 1898, p. 346.

the proceeds were divided and the whole business was wound up. It is fortunate that exceptionally full accounts have been preserved of the allied ventures of Frobisher; and, in so far as this information can be applied to the privateering voyages, almost every detail can be substantiated by a parallel incident in the management of some one of the raiding syndicates.

First of all, it will be convenient to distinguish such parts of the Frobisher expeditions as were peculiar to them. The whole series, extending from 1576 to 1579 with a supplemental voyage in 1583, was unfortunate. Frobisher believed he had found ore, containing gold, and it turned out that a serious mistake had been made. Therefore, the capital subscribed for the first voyage was carried down to the second; so that, in this case, each expedition had not a separate capital which was wound up at the end of the voyage. Since, too, there was less of a furtive character about this company, it was able to obtain a charter, with full incorporation and precise rules for the conduct of business. The evolution of the term "stock," in the sense of a negotiable security, is shown very clearly in the following extract from one of these rules—namely that £100 was to be accounted "one single parte or share *in stok* of the company¹." It therefore follows that at this period "stock" meant simply a share of £100, which was regarded as divisible into half shares, but not into smaller subdivisions. This use of the term brings into more prominence the ambiguity mentioned in the previous chapter², since the whole outlay (or stock in one sense) on the first three voyages was £20,160, whereas the "parts," or "shares in stock," amounted to £12,102. 10s.³

Comparing what was common to the companies, that found the capital for the expeditions of Frobisher, Drake, and others, with the methods of the Adventurers to Africa⁴, the former show an advance in the manner of dealing with the capital employed. In both cases, goods were adventured; but, in the earlier instance, these were dealt with on the basis of a share in the profits, whereas subsequently ships or commodities were valued and became a part of the capital. For instance, when in 1561 Elizabeth lent ships to join in the voyage to Africa, she was compensated for her risk by receiving a share of the profit: whereas in 1577, on again subscribing a vessel to Frobisher's second voyage, a very careful and minute valuation was made, and "shares in the stock" given her accordingly⁵. This change of procedure had two

¹ *Vide infra*, II. p. 79.

² *Vide supra*, p. 62.

³ *Vide infra*, II. p. 82.

⁴ *Vide supra*, p. 30; *infra*, II. pp. 5-7, 77-81.

⁵ *The Inventurie of the Ship Ayde*, printed in *The Three Voyages of Martin Frobisher*, pp. 218-23, cf. Murdin, *State Papers*, *ut supra*, p. 303; *Sir Francis Drake*, by Julian Corbett, London, 1890, p. 10.

important consequences. The nominal outlay on a voyage after 1575 tends to appear greater, when compared with that on an earlier one, owing to the inclusion of the estimated value of the ship or ships at the later date. In the second place, when an attempt is made to estimate the success of a privateering expedition, the profit, for similar reasons, was generally larger than it would appear at first sight. Suppose, for instance, the whole capital of an expedition were £5,000 and that the captures, after all expenses were paid, realized say £10,000, it would seem that the division would be 200 per cent., or a profit of 100 per cent. In reality, however, it would have been about 250 per cent., or a profit of 150 per cent. For, if all the ships returned safely, when they were repaired, each shareholder, who "subscribed" a ship, would receive it back again. On an average, the cost of the ship, as distinct from its stores, was about half the whole sum at which it was capitalized. Therefore, when a division came to be made on the £5,000 nominal capital, there would be a total amount of £12,500 to be distributed, namely £10,000 of plunder and the refitted ships, valued say at £2,500 and returned to the original owners.

In organizing a privateering expedition, when the ships had been subscribed, it remained to fit them out for service. This outlay was met by those who had subscribed money, and if the money were proportionately greater than the commodity-subscriptions, ships might be purchased¹ and sold at the end of the voyage. Ammunition and provisions were bought, and other stores were provided for a period of service, varying from three months to two years. Generally speaking, the privateers depended upon supplying themselves, when they reached their chosen cruising ground; so that, as a rule, their cost of provisions was lower than in other cases. No funds were reserved for the payment of wages, since the claims of the men were met out of the proceeds of the voyage. If it were highly successful, they obtained a bonus: if it were a total failure, it was necessary to assess the shareholders to provide the funds required.

The whole capital outlay of Frobisher's Voyages and of one or two of the privateering expeditions, made up in the manner explained, is known². From a careful study of the details of these ventures, certain ratios emerge, which are either constant or vary within assignable limits. Taking the number of men, carried on armed ships, the proportion was almost invariably about one man to every two tons. In ships of small burden, the ratio was slightly higher—for instance in

¹ *E.g.* Frobisher's first Voyage, cf. *infra*, II. p. 77.

² *Ibid.*, II. p. 82; *The Three Voyages of Martin Frobisher*, *passim*; State Papers, Domestic, Elizabeth, ccxxii. 89, 91, 97, 98, ccxxxiii. 56; Hakluyt, *Voyages*, *passim*; *Life of Sir Francis Drake*, by John Barrow, 1843, *passim*.

Frobisher's first voyage, there were 34 persons and the aggregate tonnage was 55¹. The general ratio of one to two is confirmed by the figures of the ships serving against the Armada, which were of 31,985 tons, manned by 15,272 men². The importance of this ratio is that, if either the capital outlay per ton or per man can be established, the cost of an expedition can be ascertained within narrow limits.

The chief element of variation in the charge for an armed expedition was the amount of provisions carried. Frobisher's first voyage was provisioned for a year, and therefore the expense was greater than the average. Neglecting some wages or bounty to seamen, the whole cost, before the ships sailed, was £992, of which £387 (or 39 per cent.) represented provisions. Therefore, in an expedition of this size, provisioned for a year, the outlay per ton was £15·9, but on the same basis, allowing only three months' provisions, the charge per ton would be reduced to £12·75. The figures for the second voyage are slightly higher, and some difficulty arises in interpreting those for the third, since the outlay was £6,922. 10s., and fifteen ships sailed. It is almost certain that, of these, eleven were hired to carry the ore and were fitted out by their owners, irrespective of the joint-stock. This left four vessels of 650 tons, carrying 250 men, giving an outlay of £10·7 per ton, £27·7 per man or £1,730 per ship.

The following statement shows in detail the results of a number of calculations on this basis:

*Statement of Capital cost of certain expeditions,
per ton, per man, per ship.*

Voyage	Number of ships	Tonnage	Men	Capital valuation	per ton	per man
Frobisher 1576	3	about 55	34	£875	15·9	25·7
„ 1577	4	250	134	£4,275	17·1	31·9
„ 1578 ³	4	650	250	£6,952	10·7	27·7
Drake ⁴ 1585	21	3590	1932	£57,000	15·8	29·5

¹ This is the highest figure given for the tonnage, others are recorded which are lower.

² Murdin, *State Papers*, p. 618; *State Papers relating to the Defeat of the Spanish Armada*, edited by Prof. J. K. Laughton (*Publications Navy Records Soc.* 1895, II. p. 331).

³ On the basis of there being four ships on the joint-stock.

⁴ Adding to the tonnage of the 20 ships, as given in *Naval Tracts of Sir W. Monson*, ed. by M. Oppenheim (*Publications Navy Records Soc.* xxii. p. 124), that of the *Drake* (*Ibid.*, p. 139), and taking 40 as the number of its crew.

Applying these results to the expedition of Drake in 1577 to 1580, it is possible to reconstruct, with some approximation to accuracy, the valuation of his little fleet, together with other financial aspects of the venture, which were sedulously concealed. There were four small ships with an aggregate tonnage of 375. The number of the crews varies in different accounts from 150 to 164¹. Therefore, in size, this voyage was midway between the second and third Frobisher expeditions. Taking the average of these and also that of the maximum and minimum of the number of the crews, according to the tonnage rate², the whole outlay would amount to £5,212, and, on the rate per man, to about £4,678³. Probably the actual expenditure lay between the two sums, and it is not unlikely that the capital required was slightly under £5,000. The consequences of this modest outlay were sufficiently startling. The expedition had the distinction of being the first to circumnavigate the globe, it brought about an acute political crisis with Spain, besides capturing an amount of silver, gold, pearls and precious stones, described as "enormous," "immense," or even "incalculable." From the financial point of view, there is no little fascination in the effort to bring to light facts, which were concealed with extraordinary care; besides, there is the interest of ascertaining how the shareholders in the syndicate fared, and what were the dividends they received.

The whole situation was unique. Drake had rounded Cape Horn and secured vast treasure before the Spaniards had made any preparations to resist him. When armed ships had been collected, Drake evaded the avengers by sailing west, instead of returning by the way he came. Then he disappeared for months; and, meanwhile, news reached Spain of the variety and extent of his depredations. In time this information filtered to England, and in September 1579 Mendoza records that the adventurers were beside themselves with joy, and that people were talking of nothing else but the fitting out of similar expeditions⁴. Steps were at once taken by the adventurers to convey secret instructions to all justices of the peace that, wherever Drake might land, every assistance should be given him in at once concealing the treasure⁵. Even at this early date, it is quite plain that Mendoza had almost despaired of obtaining restitution. These preparations ante-dated the actual arrival of the plunder by more than a year.

When Drake returned everything was in readiness. It was reported

¹ 150 men and 14 boys.—*Sir Francis Drake*, by Julian Corbett, London, 1890, p. 60.

² *I.e.* $\frac{17 \cdot 1 + 10 \cdot 7}{2} \times 375$.

³ *I.e.* $\frac{31 \cdot 9 + 27 \cdot 7}{2} \times \frac{150 + 164}{2}$.

⁴ *Calendar of State Papers...in the Archives of Simancas*, 1568-79, p. 694.

⁵ *Ibid.*, p. 701.

that the treasure amounted to a million and a half sterling¹. Mendoza records that it had been "confessed" that silver, gold and pearls were brought back to the value of over a million and three quarters, while, according to advices from Seville, Drake had captured even more than this².

It is highly probable that, before news reached London of the arrival of the expedition, a large amount of the bullion and jewels had been secreted. In the Privy Council, opinion was divided as to what should be done with the treasure. Burghley was in favour of repaying the adventurers their principal and returning the rest; Leicester and others, who probably had shares in the syndicate, were strongly opposed to this course. The documents, relating to the transaction, have every appearance of being prepared for some ulterior purpose. They comprise a letter from Edmund Tremayne (who supervised the detention of the bullion on behalf of the government) to Walsingham with certain enclosures, giving the answers to various questions, he was to ask the members of the expedition. The replies were signed by forty-six persons, but since they had not as yet been paid their wages, it is impossible to give too little credence to their depositions. Asked first whether it was true that the value of the plunder was a million and a half, the seamen replied that some silver and some gold had been taken, but they did not know the value of it, "which was a very small sum in respect of what there is reported." It was altogether untrue that any ships were sunk with their crews on board. No Spaniards were slain or maimed; and, in only one case, was a man wounded. He was hurt in the face, and Drake lodged him in his own ship, fed him at his own table and would not suffer him to depart before he was recovered³. To complete the comedy, a most exact and careful inventory was taken of the bullion, which was packed in 46 bales, containing in all 10,812 lbs., worth about £46,000. This was conveyed to the Tower, publicly with due escort⁴. It is highly significant, however, that as late as 1585, there was then remaining of the bullion "brought by Sir Francis Drake," despite the fact that many payments had been made in the interval out of this treasure, no less than 9,056 lbs. 17 ozs. besides 101 lbs. 1 oz. of gold⁵. It is quite plain that what had happened was that Drake had removed a certain amount of the treasure; this was

¹ State Papers, Domestic, Elizabeth, cxliv. 17.

² *Calendar of State Papers...in the Archives of Simancas*, 1580-6, p. 63. The amount stated is, in weight of bullion, 400,000 lbs. of silver, five boxes of gold a foot and a half long and some valuable pearls. The silver bullion was valued at £4. 4s. 2½d. per lb. Murdin, *State Papers*, p. 781.

³ State Papers, Domestic, Elizabeth, cxliv. 17 (ii).

⁴ *Ibid.*, cxliv. 17 (i).

⁵ Murdin, *State Papers*, p. 540.

primarily for the adventurers, but some of it was sent secretly to the Tower. These facts appear clearly in the despatch of Tremayne, covering the documents already mentioned. He was careful to explain that he enjoined Drake to impart no more than was needed, "for so I hear him commanded, in Her Majesty's behalf, that he should not reveal the certainty to any man living." Drake agreed with Elizabeth that he was to receive £10,000 secretly, this sum was partly as a personal reward for his services, partly to afford him ready money to secure the support of some doubtful members of the Privy Council. Time was given Drake, not only to remove the £10,000 unobserved, but also to conceal elsewhere "the portion that had been landed secretly." Accordingly, when only enough remained to make a respectable show, Tremayne and Christopher Harris (who was to convey the bullion to the Tower) went with Drake to the place, where the ingots were stored, and thereupon the inventory, already mentioned, was made¹.

Soon after the arrival of the treasure, the only question remaining undecided was whether a small part of the plunder was to be restored, or all of it was to be retained. Already the greater part was placed out of reach of the government. The attitude of Elizabeth, at the time of the arrival of the expedition, is difficult to determine. She appeared to have an open mind on the subject, but there is some evidence that she held shares in the syndicate. At a time when the crews were dissatisfied during the voyage, Drake produced "a byll of hir Maiesties adventure of a 1,000 crowns," also one in favour of Sir Christopher Hatton². If this account is correct, Elizabeth was interested as an adventurer; and, besides, tempting offers were made to her by Drake of a much larger part of the coin and bullion. At first there were two parties in the Council, the one in favour of, and the other against restitution. Eventually a compromise was agreed upon. Attention was drawn to the subsidizing of rebellion in Ireland by Philip, and the assistance given to the insurgents by Spanish soldiers. If, on the one hand, Philip gave satisfactory assurances that he would cease to interfere in Ireland, it was proposed that the adventurers should either receive back their capital or their capital with a profit of 100 per cent., and that the rest of the plunder should be restored. If, on the other hand, no such undertaking were given, the whole amount³ would be employed in carrying on the war in Ireland⁴. This compromise was an obvious subterfuge, since at this time and for some years before,

¹ State Papers, Domestic, Elizabeth, cxliv. 17.

² *The World Encompassed*, by Sir Francis Drake (Hakluyt Society, 1854), p. 216.

³ That is the whole ostensible amount—as already shown much of the treasure had already been concealed.

⁴ *Calendar of State Papers...in the Archives of Simancas*, 1580–6, pp. 59, 63.

Elizabeth had been subsidizing and assisting the leaders of the revolt in the Low Countries. However, the whole question was whether Philip was able, or was willing to go to war on the ground of the captures, made by Drake; and, although for some time the situation was very threatening, war was avoided.

Since then the treasure was not restored to Spain, it was available for division in England. First of all, there were the claims of the adventurers. These had been secured from the beginning by the concealment of a very large portion of the proceeds of the voyage. Fortunately the amount of the division made to them has survived. Lewis Roberts records the result in the following terms: "the voyage... made profit to himsele [*i.e.* to Drake] and merchants of London his partners and fellow-adventurers, according to an account made up at his return, all charges paid and discharged, which I have seen subscribed under his owne hand, 47 li for one pound; so that he who adventur'd with him in this voyage 100 li had 4700 li for the same¹." Therefore, on the estimate of the capital outlay, upon the basis already indicated², as being something under £5,000, the amount divided to the adventurers would come to about £250,000. This agrees with the figures recorded of the bullion captured, namely 1,189,200 ducats; which, taking the ducat at 5s. 6d.³, would give £307,030, as the gross captures of silver and gold⁴. Moreover, in the numerous histories of the expedition, all the details of the larger captures agree; so that it would appear that the plunder was wholly accounted for, in paying charges and bonuses on the return of the ship and in divisions to the shareholders. But so much agreement in the authorities is in itself suspicious; and, as a matter of fact, there still remained a large sum, diverted from the adventurers, which found its way to Elizabeth. The manner in which this operation was effected was ingenious. It was the practice in Spanish America to smuggle bullion on board the homeward-bound ships, without passing the Customs, so as to avoid the exactions of the officials. The valuation of 1,189,200 ducats is expressly stated to be that of the "customed" bullion only, and the compiler of it states that there was "besides the treasure which was uncustomed (the value whereof I cannot learne), consisting of pearles, precious stones, reals of plate and other things of great worth." It frequently happened that

¹ *The Merchants' Mappe of Commerce*, 1638, p. 61.

² *Vide supra*, p. 78.

³ Hakluyt, *Voyages*, x. p. 114. Although the silver in the ducat was subsequently reduced (*vide* Newton's Tables in Postlethwaite, *Dictionary of Commerce*—"Coin") the value was not 9s. 6d. as stated by Froude (*History of England, reign of Elizabeth*, v. p. 383)—9s. 6d. was the value of the gold ducat.

⁴ Drake, *World Encompassed*, *ut supra*, p. 291.

the value of uncustomed, was as great as that of the customed plate and precious stones; so that, it is clear, there was a large concealed surplus, after the "customed" bullion had been sold for the benefit of the shareholders. In April 1581 it is recorded that the whole treasure "was better than £600,000¹." If this estimate is correct, there would have been from £250,000 to £300,000 which was received by Elizabeth. She certainly obtained as much as £263,790; since, in a memorandum made by Burghley and conjecturally dated 1581, there is mention of that amount being then in the Tower in Spanish coin². Judging from the state of Elizabeth's finances in 1580, she would not have had money on hand, and if she had, it would not have been in Spanish coin, so that it is almost certain that this sum came from Drake's capture. In addition the Queen received most of the jewels, and she may have had the uncoined silver as well. Whatever may have been the exact sum she obtained, it was certainly large, and the disbursement of a considerable portion of it can be traced. A sum of £28,757 had been borrowed and it was re-lent to the Protestants in the Low Countries, at about 14 per cent. interest. Elizabeth appears to have satisfied her creditors in 1580-1 for this obligation³. Then the first of the payments, made to Alençon, amounting to £42,000, was said to have been coined out of the captured bullion⁴. Further there was over £42,000 invested in the Levant trade and delivered in uncoined silver out of the Tower⁵. These sums amount to over £110,000; and, if the statement of the Chancellor of the Exchequer can be relied on, in January 1581 additional payments, in excess of this figure, must have been made from the same source. It was then said that the subsidy of 1575-6 had only sufficed to provide half the cost of the war in Ireland, the remainder being paid by Elizabeth, who was not at that time in debt⁶. That a deficit had been incurred, but had been met out of the balance of the treasure, is consistent with the report of Mendoza, in September of the same year, that Elizabeth was then about £100,000 in debt, since in the interval large sums had been remitted to Alençon.

The winter of 1580-1 represents the culmination of the financial administration of Elizabeth. With only moderate assistance from Parliament, she had been able to extinguish the Crown debt and to improve the status of the country abroad. In the midst of the per-

¹ *Queen Elizabeth and her Times, A series of original letters*, edited by Thomas Wright, London, 1838, II. pp. 133-6.

² *Calendar Salisbury MSS.*, II. p. 384.

³ Murdin, *State Papers*, p. 780.

⁴ *Calendar of State Papers...in the Archives of Simancas*, 1580-6, p. 165.

⁵ Murdin, *State Papers*, p. 781, cf. *infra*, II. p. 84.

⁶ D'Ewes, *Journals*, p. 287.

plexities in the understanding of the accounts of the finances during this period, it becomes clear that the improvement was due, less to the increase in the Ordinary Revenue, even when supplemented by aids from Parliament, than in quite exceptional receipts, such as that resulting from Drake's expedition. The total amount of these cannot be recorded precisely, since they did not come within the purview of the tellers of the Exchequer. From the latter type of account it may be gathered that the Ordinary Revenue had not increased materially since the beginning of the reign, for the gain in Customs and impositions, due to industrial progress, was partially neutralized by the alienation of Crown property. Moreover, either through necessity or a development of foreign policy, an increased outlay abroad was begun, which continued for a number of years. This led to an increasing strain on the finances. Thus it is recorded that from May to December 1581 no less than £278,000 had been remitted to Alençon¹, and in 1581 a further subsidy of two-fifteenths and two-tenths was granted by Parliament².

The effects of the diffusion of the great quantity of captured valuables in England was sufficiently marked. Not only was Elizabeth able to re-habilitate her finances for a few months, but she was encouraged to pursue a more vigorous foreign policy. The part of the treasure, however, which yielded the best results in her hands was that used in aiding the foundation of the Levant trade. The sums divided amongst the seamen and adventurers produced many consequences, the most desirable of which was the increase of English shipping. When even the rumour of Drake's success had started everyone talking of fitting out similar expeditions, it can readily be understood that, after his arrival, new ships were being arranged for; and even already England had secured the monopoly of the carrying trade to and from Spain³. Drake was offering all, who would adventure with him in a new expedition, a profit of six or seven times their original subscriptions⁴.

Persons, who had obtained large gains from the expedition of 1577-80, spent money freely and there were complaints of the growth of luxury and extravagance⁵. The standard of living of the upper classes was higher than it had been during the years of economy, early in the reign of Elizabeth. This prosperity was shared by the rest of the

¹ State Papers, Foreign, France, x. 158, 159.

² *Statutes*, iv. 684; *vide infra*, III. p. 526.

³ *Calendar of State Papers...in the Archives of Simancas*, 1580-6, pp. 8, 9.

⁴ *Ibid.*, pp. 55, 75.

⁵ *Anatomy of Abuses in England*, by Philip Stubbes (1583), New Shakespeare Society (1879-82); *An Exhortation, to stir up the Mindes of all her Majesty's faithful Subjects to defend their Countrey in this dangerous Time from the Invasion of Enemies*, 1588, in *Harleian Miscellany* (1744), I. p. 165; *A Treatise on Money*, by J. Shield Nicholson, London, 1901, p. 229.

population, and Thomas Churchyard contrasted the distress in Flanders with the good fortune of those living in England :

“Hier thyngs are cheape and easly had
no soile the like can shoue
No State nor Kingdome at this daie
doth in such plentie flowe¹.”

Sir John Hawkins, who, as Treasurer of the Navy, may have had opportunities of forming an opinion, estimated that, since 1558, the wealth of England had trebled². Part of this increase must be off-set against the economic loss involved in the suppression of the monasteries; but, even after this allowance is made, there was a substantial gain.

It was natural that the superficial observer attributed the activity of trade to the captures of bullion, made by Drake and other privateersmen; but the real cause is to be found in the years of peace and national economy. Although the cloth-trade was suffering from the troubles on the Continent, profitable exchanges were being effected in Russia; and, when the Persian route was closed, the Levant company had been founded, bringing the same commodities³. The home trade was flourishing, as is shown, amongst other indications, by the influx of persons from the country to the towns. As early as 1579 Burghley described England as “surely abounding in riches⁴,” and the liberation of the captured treasure accentuated the general prosperity.

Considering privateering solely from the economic standpoint, there can be little doubt that, in the long run, it was prejudicial to the best interests of the commerce of England. Much of the capital, either withdrawn from the cloth-trade or rendered available by the opening up of new enterprizes, had been invested in shipping; and, once it was known that Philip would not declare war against England on the ground of Drake's plunderings, it remained for him to make English trade with Spain uncertain. Even though the loss in a single year, as compared with the magnitude of the captures, would be small (as long as this policy could be maintained) it would be recurrent, and, over a number of years, would exceed the value of the bullion seized.

But, in addition to the purely economic aspect, there is also the political one. If it were possible for England to avoid war with Spain,

¹ *The Misery of Flanders...and the Blessed State of England*, 1579.

² July 20, 1584—Lansd. MS. (Brit. Mus.) 43 (11), printed by Wright, *Elizabeth*, II. p. 232.

³ *Vide infra*, II. 85.

⁴ An Order how to proceed to the discussion of the Questions concerning the Queene's marriage with Monsieur d'Anjou—Murdin, *State Papers*, p. 327. It is interesting to notice in the same document that Burghley proposed the foundation of a State-bank.

privateering was a blunder, since it added to the existing tension in the relations of the two countries. If, on the other hand, a war was inevitable; then expeditions, such as those of Drake, were invaluable. The finances of Philip were in an embarrassed condition, and the seizure of bullion increased the strain. If the estimate of the proceeds of Drake's expedition is correct, it represented from one-third to one-quarter of the whole average annual produce of the American mines, remitted to Spain¹. Still more important was the moral effect. English sailors learnt their superiority over the Spaniard; and, if the contest with the Armada was unavoidable, this lesson was of the greatest importance.

From the return of Drake's expedition of 1577-80, English privateering increased, both in the numbers of voyages and in the size of each venture. Much of the money, taken by Drake, found its way to persons connected with maritime enterprize, and it was inevitable that very many armed ships should have been prepared. The joint-stock system was so flexible and had answered so well in previous expeditions that capital could be easily procured from noblemen, gentlemen and merchants. Munitions of war were plentiful, and it did not take long to convert a merchantman into a privateer. Activity at the ports was so great, that the spies of the Spanish Ambassador were compelled to report that, so many armed ships were constantly going and coming, it was impossible to ascertain what expeditions were contemplated.

It is obvious there was a danger in this boom in privateering. The success of any venture depended on its arrival, where it was least expected. Once it was known that England had a great fleet of privateers, the Spaniards in America lived in a state of preparation, and bullion was kept in the interior, instead of at the ports; while it was only transported to Europe in heavily armed fleets. To meet this new development it was necessary to augment the size of the English expeditions, which consisted of more ships of larger size. For instance, the four vessels in the expedition of 1582, intended for the Indies, but which did not penetrate further than Brazil, had an aggregate tonnage of 790. This voyage was the concluding one of the Frobisher series, and like its predecessors resulted in loss². It was probably the failure of this enterprize which prevented the formation of a *Company to trade beyond the Equinoctial*, which had been proposed in 1580 and of which Drake was to be first governor³.

¹ *The Rise of the Dutch Republic*, by J. L. Motley, London, 1856, II. p. 518.

² *Vide infra*, II. p. 82. The capital was £11,600, of which about £3,000 consisted of trade goods (*Calendar of State Papers...in the Archives of Simancas*, 1580-6, p. 199). Therefore, deducting this amount, so as to preserve the same basis of comparison, there remains £8,600 for ships and provisions, or £10. 9s. per ton. These ships were provisioned for two years.

³ State Papers, Domestic, Elizabeth, cxliv. 44; *Calendar*, 1547-80, p. 689.

At the same time, some efforts were made towards colonization by Gilbert in 1583 and by Raleigh in 1584. As yet, however, the minds of the promoters were divided between the legitimate objects of the voyages and the obtaining of gold, either by discovery or capture, and the planting did not succeed¹. Most of these enterprizes were small companies, and the capital outlay was larger than in privateering. Even if success were eventually obtained, the results involved more waiting. In colonizing, it was necessary, not only to make a voyage to the proposed settlement, but to establish the settlers there and provision them, until they became self-supporting. For this reason, an estimate, made in 1583, places the capital outlay for each colonist at £40, a rate higher than those of the contemporary trading or privateering ventures².

It follows that the efforts at colonization were merely anticipations of later developments, and the chief energies of the more venturesome seamen continued, for some years, to be devoted to privateering. Though Drake had wished to follow up the success of his voyage of 1577-80, it was not until 1585 that he succeeded in obtaining the sanction of Elizabeth for another expedition. This was organized on a much larger scale than its predecessors, consisting of twenty-one ships. A valuation was made of the vessels, subscribed by the adventurers, and cash might also be ventured. Thus Elizabeth provided £20,000, one half in cash and the other half in ships of 850 tons. The whole capital was £60,400, subsequently reduced on adjustment to £57,000. The prize goods were valued at £64,900, of which £17,000 was set aside for the seamen. The balance remaining, after some expenses had been deducted, was £45,908. 18s. 6d.; so that, even including the estimate of the ships returned to the owners, there was a loss of 20 per cent. To some extent, this may have been a deficit on paper; since, on examining the Queen's account, it appears that her ships were valued at £10,000 as capital, but only at £8,000 as part of her division. She received the remainder in cannon and pearls³.

The expedition of 1587, also under the command of Drake, was more successful from the point of view of the adventurers. It was organized on a different model from previous ventures. Besides Elizabeth, Drake and his friends, there were twenty merchants interested⁴.

¹ *Vide infra*, II. pp. 242, 244. *The Genesis of the United States. - A Series of Historical Manuscripts now first Printed*, by Alexander Brown, London, 1890, I. pp. 9-14.

² Hakluyt, *Voyages* (1904), VIII. p. 148; *vide supra*, p. 77.

³ Barrow, *Life of Drake*, *ut supra*, p. 191; Hakluyt, *Voyages*, x. pp. 97-9, 133; *Calendar of State Papers...in the Archives of Simancas*, 1580-6, p. 651; Atkinson, *Gold Mines in Scotland*, *ut supra*, p. 69; *Papers Relating to the Navy during the Spanish War*, ed. J. S. Corbett (*Publications Navy Records Soc.*), XI. pp. 86-96; xxii. pp. 124-30.

⁴ The names are printed in an appendix to the Camden Society's edition of *The*

By an agreement, made between the latter and Drake on March 18th, 1587, it was arranged that all captures should be divided equally, as between the Queen's ships and those of the other adventurers¹. This understanding appears to have been based on the supposition that the tonnage and number of the crews of the vessels from the Navy and of those provided by private persons, would be approximately the same. When the expedition had returned, having taken a prize valued at £108,049. 13s. 11d.², and a division came to be made, it was found that the quota in tonnage and men, furnished by the private adventurers, was larger than that of Elizabeth. Therefore, a modification was proposed, whereby the spoil should be divided into the same number of parts as the aggregate both of the tonnage and the men. This basis required the calculation to proceed on the principle of there being 7,623 parts, of which 3,120 were reckoned as belonging to Elizabeth and the remainder (namely 4,503) to the other adventurers. Allowing for certain minor expenses after the arrival of the fleet, this left a division for the Queen of either £42,699. 3s. 3d. or £45,063. 15s. 9d., according as her tonnage was reduced or not by an item of 400 tons, which was in dispute, and proportionately for the remaining ship-owners³. Since this expedition was not organized on an estimated capital, there is some difficulty in determining the amount per cent. of this division. On the rates per ton and per man of the previous venture, the estimated capital would be £78,500, giving a gross profit of 138 per cent. This was not considered great, since Raleigh wrote that 100 per cent. (also gross) was but "a small return," and that he "might have gotten more to have sent his ships fishing⁴." Several deductions have to be made before the nett profit can be arrived at. Wages had to be paid and the ships refitted. Elizabeth allowed £8,643 for the former charge⁵, and 20 per cent. of the estimated value of the ships for the latter. On her tonnage, the original capitalization of her venture would be £33,000, giving a nett profit of £28,500 or 87 per cent.⁶

True Discription of the last Voiage of Sir Frauncis Drake, by Robert Lenge (Miscellany, v. 1864, p. 27).

¹ *Ibid.*, p. 26.

² *Publications Navy Records Soc.*, xi. pp. 200-6.

³ *Camden Soc. Miscellany*, v. pp. 53, 54.

⁴ *Publications Navy Records Soc.*, xxii. p. 263; cf. *infra*, ii. pp. 298, 361.

⁵ *Publications Navy Records Soc.*, xi. p. 191.

⁶ Estimated valuation of the ships, "subscribed" by

Elizabeth at £15. 8s. per ton	£33,180
Average of the gross profit, payable to Elizabeth	£43,881
Deduct 20 % of estimated capital value	£6,636
Wages and rewards	8,643 15,279
Nett Profit	£28,602

It was said that it was the capture of the *San Filipe* which first impressed Englishmen with the riches of the Indies (Hakluyt, *Voyages*, vi. p. 438), but, as already

Whether privateering was a political necessity or not, as time went on, the economic loss it involved began to be felt. By 1586 the reprisals of the Spaniards, in hindering English trade when possible, had begun to induce commercial depression, which was aggravated by the dislocation of trade with the chief European countries. The following report, drawn up by a Spanish spy in London, sums up the situation in the least favourable terms: "The whole country is without trade and knows not how to recover it; the shipping and commerce here having mainly depended upon the communication with Spain and Portugal. They feel the deprivation all the more now, with the loss of the cloth trade with Germany, which they formerly carried on through Holland and up the Rhine, but have now been deprived of by the capture of Nutz on that river. If Berck be taken also, which please God it will be, now that the neighbouring places have fallen, they will not be able to send any cloths at all, and this is causing much dissatisfaction all over the country. The rest of their trade with the other German ports and Muscovy is a mere trifle; as all, they brought from those places, was sent by them to Spain, and, their Spanish trade being now gone, the other is of no use to them, as they do not know what to do with the merchandize they bring hither¹. All that is left to them is the Levant trade, which is with Turkey and Italy, and that with Barbary. If these two are taken from them, which can easily be done, they will be driven into a corner, without any commerce or navigation at all. Their French trade is very insignificant and is carried on by a few small vessels only²." Information from such a source may well be suspected of some exaggeration, but it is remarkable that Burghley describes the situation in somewhat similar terms. "This great matter of the lack of vent," he writes, "not only of clothes, which presently is the greatest, but of all other commodities which are restrained from Spain, Portugal, Barbary, France, Flanders, Hamburg and the States, cannot but in process of time work a great change and dangerous issue to the people of the Realm, who, heretofore, in time of outward peace, lived thereby, and without it must either perish for want or fall into violence to feed and fill their lewd appetites with open spoil of others³."

mentioned, an expedition had been projected and actually started for that region in 1582—*vide supra*, p. 82, *infra*, II. p. 82.

¹ In spite of the embargo a considerable trade was carried on with Spain by the use of Scottish ships, or English ones registered as Scottish—*Calendar of State Papers ... in the Archives of Simancas*, 1587-1603, p. 186.

² *Ibid.*, 1580-6, pp. 651, 652. The writer continues by recommending that the Levant and Barbary trades should be closed, by stationing Spanish war-ships at the Straits of Gibraltar.

³ Burghley to Hatton, May 12, 1687, printed in *Memoirs of the Life and Times of Sir Christopher Hatton*, by Sir Harris Nicolas, 1847, p. 470.

A further cause of the industrial depression, which now began to manifest itself, was the uncertainty of the political situation. There were Catholic plots in England, culminating in the Babington conspiracy (1586) and the execution of Mary Queen of Scots (1587). The year 1587 was marked by the financial aid of the Pope to Philip and by the collection of the ships that formed the Armada. At the same time, poor trade and a threatening political outlook were aggravated by exceptionally bad harvests in England, and in London, especially, wheat reached the highest recorded price of the whole century¹.

The depression of the years 1586-7 affected the existing undertakings, in a manner similar to the crisis of 1569-74. The second joint-stock of the Russia company was wound up, and a new one begun in 1586². About the same time, the subsidiary companies of the Mines Royal in Cornwall and Cumberland, formed by Smith, came to an end, and a new undertaking for the northern district was constituted³.

This crisis had an important bearing on the contest with Spain in 1588. While the diversion of capital towards the shipping trade was an important element, making for the success of England in the struggle, the want of money prevented the fleet from being as efficiently manned and provisioned as it should have been. The Crown finances were in a more embarrassed condition in 1588 than they had been, since the beginning of the reign of Elizabeth. The transition from the soundness of 1575 to the difficulties of ten years later is remarkable. The policy of subsidizing the enemies of Spain had grown during the interval; and, although much of the money was spent unwisely, such payments may be regarded as an insurance, made by England against the risk of invasion. The peculiar hardship of the situation in 1587-8 was that these expenses had been incurred, merely to delay the evil. Though the strain on the finances became marked in 1588, events had been leading up to it, since the beginning of 1581. Prior to that date, the assistance, provided by Elizabeth to Protestants abroad, had not involved any burden on her finances, beyond what could be borne by the surplus Ordinary Revenue. Up to 1579, the Queen had lent to foreign States £65,000⁴, while she had become security for a loan, raised abroad by the Netherlands; and, should the Estates default in the payment of interest, the liability would fall upon her⁵. It was no small

¹ *Chronicon Preciosum*, London, 1707, p. 123. Fleetwood records 64s. per quarter. Maitland says the price "in divers places" (other than London) was 104s. *History of London*, p. 271.

² *Vide infra*, II. p. 48.

³ *Ibid.*, II. pp. 396, 397.

⁴ State Papers, Domestic, Elizabeth, cxxx. 49; *Calendar*, 1547-80, p. 628.

⁵ *Calendar, State Papers, Foreign*, 1577-8, p. 365.

financial achievement, during the ten years 1570 to 1580, to have extinguished the remainder of the Crown debt, borne the cost of the rebellions in Ireland, which together may be estimated to have cost £585,000 while the grants from Parliament only realized £417,000, besides contributing to extraordinary expenditure on the Navy and Ordnance, mainly out of the surplus Ordinary Revenue¹.

No doubt, the freedom from debt in 1580-1 was attributable to the treasure, received by the Crown from Drake's expedition; but, after the outstanding loans had been repaid, there remained a considerable surplus, which would in normal circumstances have provided an administration, as economical as that of Elizabeth, with ample funds for the development of its foreign policy. Just at this time, however, there came the Alençon entanglement; and, between 1581 and 1583, the great sum of £632,071 was disbursed in this way². Moreover, the policy of fighting Philip in Flanders was one which, once it was begun, must be continued; and, on the fall of Antwerp in 1585, it became necessary for Elizabeth to incur further outlays in the Low Countries. A considerable sum was required, beyond the ordinary charge, for Ireland; a subsidy was paid to James VI. of Scotland, the outlay on the Navy and Ordnance was large and much had to be spent on secret and special service³. But the total grants from Parliament, receivable between 1581 and 1588, came to less than £400,000⁴, so that it was only possible to meet expenses by the savings from the Ordinary Revenue, which may be estimated at this time to have been about £70,000 a year⁵.

It follows that the financing of the defence of England against the Armada presented some difficulty. Already, through the assistance given to the Low Countries, there was considerable pressure on the Crown finances. Moreover, the peculiar state of the money-market, both at home and abroad, just at this time created unexpected difficulties. The credit of Elizabeth was good, and, under ordinary circumstances, it would have been easy for her to have borrowed such funds as she required, either abroad or at home. It so happened, that in 1587 and 1588 England could not procure a loan abroad⁶. Early in

¹ For the details *vide infra*, III. pp. 515, 526, 527.

² State Papers, Foreign, France, x. 158, 159. This sum was practically identical with that paid by the King of France at the same time. He added a further £279,000, making in all £1,012,500. Alençon altogether received £2,583,282, the remainder being raised by the Estates (£160,979) or by loans (£777,732). He expended £2,683,905.

³ *Vide infra*, III. pp. 503, 504.

⁴ *Ibid.*, III. p. 526.

⁵ *Ibid.*, III. p. 503.

⁶ Cf. "I find no probability how to get money here in specie, which is our lack, but by exchange, to have it out of parts beyond sea, which will not be done but in

the reign Elizabeth could borrow with comparative freedom at Antwerp, but now that city had been sacked and its wealth dispersed. So far from the Low Countries being a lender, its government was now a debtor, and in Germany capital was not available to lend to England. Already considerable sums had been borrowed from capitalists at Lyons, and it would appear that, at this juncture, these men were not disposed to add to their commitments¹. The Italian bankers were pledged to Philip of Spain, both on religious and financial grounds, and the only foreign capital available was that which found its way into the country through Spinola, Pallavicino and Justinian. Therefore, during the great national trial of 1588, England had to depend almost wholly on its own resources. There were two ways in which money could have been obtained at home, as it had been previously, to meet an emergency until funds were granted by Parliament, and these were paid into the Exchequer, namely either by loans on Privy Seals or borrowings upon interest. Since wealth had been increasing during the past twenty years, little difficulty would have been experienced in finding a sufficiency of money, had it not been that, at the critical moment, the country was in the throes of a commercial crisis. No doubt it is to the difficulty in raising funds by borrowing that much of the vacillation in England's foreign policy during 1587 is to be assigned. Possibly, too, Elizabeth's ministers relied on their success in previous diplomatic encounters, which had hitherto resulted in the preservation of the species of peace that England desired. No doubt, also, Drake's expedition of 1587 had much to do with delaying the sailing of the Armada, and another influence in the same direction is said to have been certain operations on the foreign exchanges, whereby Spanish bills were collected and then presented in large quantities at the same time, with the result that they were "protested," and money could not be procured in time to enable the fleet to sail that year².

The year 1588 was not far advanced, before it was realized that the arrival of the Armada was to be expected, and Elizabeth was ill-prepared to provide the funds that were necessary for the defence of England. It is true that at this time there was a surplus from the nett Ordinary Revenue of over £70,000³, while the subsidies granted in 1586-7, which were payable in 1587 and 1588 in October, realized

a long time"—Burghley to Walsingham, July 19, 1588; *State Papers relating to the Defeat of the Spanish Armada*, ed. J. K. Laughton (*Publications Navy Records Soc.*), i. p. 285.

¹ Entry Books of Issues—Eliz. 27-28, 28-29.

² *Of a Free Trade*, by Henry Parker, London, 1648; *Memoirs of the Most Important Transactions in England for the last Hundred Years*, by James Welwood, London, 1718, p. 9; Anderson, *Annals of Commerce*, ii. p. 222.

³ *Vide infra*, iii. p. 503.

£185,000¹, but it is to be noted that only the first moiety was receivable in the financial year Easter to Easter 1587-8, when the need was specially great; and, owing to many payments being in arrear, the laity paid to the Exchequer less than £50,000, instead of twice that sum². Moreover liabilities against these resources had already been incurred, so that it was absolutely necessary to borrow, in order to provision the fleet and to feed the levies that had been raised. But it has been shown that, for various reasons, loans were difficult to arrange. Though Privy Seals were issued, and £30,000 was lent by the City of London in March on the security of the Crown lands at 10 per cent. interest³, it was reported in April that Elizabeth was so short of money that she could not raise funds for fitting out her remaining ships, and in the following month Walsingham said that England "was in such a state, as neither they nor their forefathers had ever been in before"⁴. Burghley, in the midst of other pressing duties, was frequently in the City endeavouring to raise a loan, but money had been scarce before and was still scarcer after the assessments for the Privy Seals had been made. Eventually the Livery companies undertook to provide £25,970, but most of this money was not paid over until after the defeat of the Armada⁵; and, during the critical weeks immediately prior to the great battle, there was a shortage in the provisioning and powder-supplies of the ships⁶. When victory was secured, in spite of these and other difficulties, it remained to count the cost. Considering the immense importance of the issue, this was surprisingly small, being returned at a total of only £161,185, for both the land and sea forces⁷. The meagre expenditure is accounted for, partly by the comparative absence of preparation, the difficulty of borrowing and the levying of ships from the ports and men from the inland counties. It is an instance of the prudence with which the finances of Elizabeth were managed, that the debt after the Armada exceeded only by a little the outlay on these operations, being returned at £200,000 in 1588-9⁸.

¹ *Vide infra*, III. p. 526. That is the subsidy of the laity and $\frac{2}{10}$ ths of that of the clergy.

² *Ibid.*, III. p. 519. The first payment was very nearly double the second, i.e. the first was 2s. 8d. on lands, the second 1s. 4d.; on goods they were respectively 1s. 8d. and 1s.

³ State Papers, Domestic, Elizabeth, ccix. 45; *Calendar*, 1581-90, p. 471. In 1590 this loan was increased to £60,000—*Ibid.*, ccxxv. 55; cf. *Calendar of State Papers...in the Archives of Simancas*, 1587-1603, p. 279 (note).

⁴ *Calendar of State Papers...in the Archives of Simancas*, 1587-1603, pp. 264, 278.

⁵ State Papers, Domestic, Elizabeth, ccxvii. 51; *Calendar*, 1581-90, p. 554.

⁶ *Publications Navy Records Soc.*, I. p. lxxv.; xxii. pp. 175, 176.

⁷ *Vide infra*, III. p. 527. According to an account of Hawkins, the expense was £225,000.—Murdin, *State Papers*, p. 627.

⁸ Salisbury's speech in Parliament 1610—*Journals of the House of Commons*, I. p. 395. Taking Hawkins' statement, the debt would be less than the cost of repelling the Armada.

CHAPTER V.

THE DEPRESSION FROM 1587 TO 1603.

FROM the political point of view the defeat of the Armada may be regarded as a decisive victory; but, from its effects on the Crown finances, it constitutes only the prelude to a long series of costly operations, which involved very great expenditure up to 1603. These grew to be so great that the savings from the Ordinary Revenue, considerable as they were, failed to provide more than a small fraction of the funds required; and it became necessary for Parliament to grant supplies on a much larger scale than during the previous portion of the reign of Elizabeth. The war with Spain thus resulted in a very material increase in taxation, which reacted on trade; while, at the same time, the closing of certain markets on the Continent, with the levies of men and ships added to the dearth from 1594 to 1598 and again in 1600, made this period one of great depression.

The pressure of direct taxation may be gathered from the fact that, in the first thirty years of the reign of Elizabeth, the laity contributed fifteen tenths and fifteen fifteenths, that is one and a half times the valuation of the rental of lands above a certain minimum and exactly that of the whole capital value of personal property as assessed, provided such assessment was £3 or over¹. From 1589 to 1605, there were raised twenty-four tenths and twenty-four fifteenths: that is, the average annual burden from 1558 to 1588 was only one-half of one-tenth and of one-fifteenth; whereas, in the remaining sixteen and a half years, it was just thrice as much, being one and one-half tenth and fifteenth per annum. While this form of statement is sufficiently correct

¹ In the grant of 1559 the minimum was higher. The subsidy of 1566 was not strictly speaking $\frac{1}{10}$ th and $\frac{1}{15}$ th, since the payments per £ were 2s. 8d. on lands (and proportionately on goods) instead of 2s. or the tenth. The explanation is interesting. A grant of $\frac{2}{10}$ ths=4s. was payable in two instalments 2s. 8d. and 1s. 4d. The so-called $\frac{1}{10}$ th of 1566 was taken as the first instalment of $\frac{2}{10}$ ths and therefore at 2s. 8d. Reference to Statement I. (*vide infra*, III. p. 526) will show that the yield of this grant was enhanced to this extent.

for many purposes, it does not describe adequately the whole facts. Although the country was much more prosperous from 1572 to 1586 than it had been at the beginning of the reign of Elizabeth, the produce of the tenth and fifteenth was steadily declining, as is shown by the following table of the subsidies of the laity:

Yield of $\frac{1}{10}$ and $\frac{1}{15}$ of the subsidy	1562-3	...	...	£103,861
" " "	1586-7	...	...	81,565
" " "	1592-3	...	...	74,348
" " "	1597	...	...	68,975
" " "	1601	...	...	65,285 ¹

This progressive diminution in the proceeds of the tenth and fifteenth is a remarkable and apparently anomalous fact; since it might be supposed that the yield of this tax would afford a basis for comparing the condition of the country at different times, as is customary at a much later date from the produce of 1*d.* of the Income Tax. Indeed it would seem that, for statistical purposes, the advantage lies with the Elizabethan impost, since from 1563, if the grant of 1566 be excepted, no change was made in the nature of the tax itself. It was the method of assessment which resulted inevitably in a decrease per tenth and fifteenth. Naturally there were many claims made for a reduction in the assessments. When farmers received a high price for their corn, they endeavoured to show that their profits were not increased, owing to the quantity for sale being proportionately less. The clothiers and allied trades insisted on the decay in this industry, through the "ill-vent of cloth," while the sheep farmers protested that, for the same reason, their wool could not be sold at "any reasonable price." A writer of an exhaustive treatise on the subject shows how it came about that, while full weight was given to pleas for abatements, few if any increased assessments were obtained. The fault lay with the Commissioners of the subsidy and the assessors, some of whom "knew too much, some too little, some were for show, some for protection of their friends, some remiss and slack and others distaste the service." The greatest blame is accorded to those, described as the "populares," "who see and will not see—and what they see is with the eyes of partiality." These assessors sought popularity by "smooth words, pleasing talk...and pitying the poor." The returns, received from them, were found to be largely composed of the names of those who were exempt from the payment of the tax. There was a prevalent opinion amongst the officials that "men must not rise in the subsidy-book, although they rise in wealth." For these reasons, there were few increases in assessments and very many reductions or total remissions. For instance,

¹ *Vide infra*, III. p. 526.

² Lansd. MS. (Brit. Mus.), 59 (57).

amongst the Commissioners themselves, the highest valuation was £100 a year rental in a single case, one other at £80, another at £50 and only some few at £45 to £40. Many knights and justices of the peace paid on £20 a year, others under that amount, and some knights escaped assessment altogether¹. This statement is confirmed by that of Sir Robert Cecil in Parliament on March 2nd, 1593, who said that the maximum annual valuation of lands for any individual was only £80 a year, and the highest rating of the capital value of personal property in London was £200 and that in only four or five cases². The same under-valuation obtained with those of more moderate means. Men, who had been assessed at £3 or £5 personal property, were now able to pay on twice these sums, respectively, but the old rates had been continued³.

It follows that, under this system, the produce of the tenth and the fifteenth would continue to fall, and that therefore, while the number of these levied is some indication of the burden of taxation, it fails to provide a completely accurate standard. A better index is obtained from the total sums, realized by the grants made by the Parliaments from 1588 to 1601, which produced over £1,950,000⁴. Owing to the data, required for balancing the various items of Extraordinary Revenue and Expenditure, being so compiled that they can be best co-ordinated from October to November 1590, there is some difficulty in fixing the amount from the end of 1588 to that date to be added to the sum that can be assigned to the period from 1590 to 1603, so as to provide a complete view of the war-expenditure after the Armada had been defeated until the end of the reign of Elizabeth. During the two years from October 1588 to October 1590, the largest item of Extraordinary Expenditure was the cost of the troops in the Low Countries. This may be taken to have been (as stated by Burghley) £130,000 per annum or £260,000 in all⁵. The "Portugal voyage" in 1589 cost £61,019⁶, and the outlay on other naval expeditions may be estimated at £35,000⁷, making altogether £356,019. The expense of the operations in Flanders, France and Ireland from the end of 1590 was £3,057,226, to which is to be added the estimated cost of the Navy during the same period (over

¹ "A Small Treatise or Discourse touching the Diminution of the Subsidie and how it may be justly raised," by William [? Tucker]—Harl. MS. (Brit. Mus.) 188.

² D'Ewes, *Journals*, p. 483.

³ "A Small Treatise...of the Subsidie," *ut supra*.

⁴ Including the subsidies of the Clergy—*Vide infra*, III. p. 526.

⁵ Cobbett, *Parliamentary History of England*, London, 1806, I. p. 870, cf. State Papers, Domestic, Elizabeth, cxxl. 69, 72; *Calendar*, 1591-4, pp. 326, 327.

⁶ *Vide infra*, III. p. 527.

⁷ The voyage of Frobisher (1589) cost £11,320, that of Hawkins and Frobisher (1590) £17,275, *vide infra*, III. p. 502.

and above the ordinary charge) of £475,000 and £100,000 debt paid off, making a war-expenditure of £3,988,245. The Extraordinary Revenue from 1588 to 1590 included subsidies of the clergy and laity of £182,545¹, proceeds of sales of land £126,305² and prize-money, which may be estimated at £7,500³. It follows then that, over the whole period from 1588 to 1603, the parliamentary grants only met one-half of the Extraordinary Expenditure. The deficiency was partly made good by the sales of land, by prize-money, repayments of former loans from the Low Countries and France, with forfeitures from persons convicted of treason. In this way, £924,988 was provided, leaving still a deficiency of £1,103,007 which was met by the surplus Ordinary Revenue:

Summary Extraordinary Expenditure 1588 (Oct.) to 1603.

Cost of Military and Naval expeditions	...	...	£3,988,245
Subsidies, clergy and laity	...	...	£1,960,250
Sale of Lands	...	...	645,493
Prizes	...	...	207,500
Repayments, Fines, &c.	...	...	71,995
			<hr/> 2,885,238
Deficiency met by surplus Ordinary Revenue	...	...	£1,103,007

These figures show the importance of the surplus from the Ordinary Revenue, without which the burden from taxation would have been greater. So far the effect of that surplus was negative rather than positive; but, in being reached simultaneously with increased allocations to Ordinary Expenditure, it required an advance in the Ordinary Revenue. In 1571-2 the nett proceeds had been £209,912, in 1588-9 £258,419 and, on the average of the five years 1598 to 1603, £326,066⁴. The remarkable increase at the later date is noteworthy, since it was accomplished in spite of depressed trade (which would tend to diminish the income from Customs and impositions) and the sale of Crown lands. Indeed, the growth of the Ordinary Revenue, and especially the augmented income from Customs⁵, constitutes an apparently convincing statistical argument against the complaints made of the decay of trade at this time. The explanation, however, is not far to seek. Prior to

¹ $\frac{2}{10}$ of the subsidy of the clergy of 1586-7 and, roughly, the first half of that of the laity fell within this period.

² State Papers, Domestic, Elizabeth, ccxxxviii. 30; *Calendar*, 1591-4, p. 8.

³ *Vide infra*, III. pp. 501, 516.

⁴ *Ibid.*, III. pp. 514, 516.

⁵ Revenue from Customs and Impositions:

1571-2	...	...	...	...	£ 62,439
1575-6	...	...	...	...	69,240
1588-9	...	...	...	...	101,698
1598-1603 (average)	...	...	...	...	121,400

the years of financial stress, while the revenues were prudently administered, no strenuous efforts were made to obtain the highest possible return from the farmers and collectors. Therefore, during the eleven good years, the Customs do not reflect the full amount of the improvement. When money was required, schemes for increasing the Revenue were sought for and carefully considered. About 1588 a change was made in the farm of the "Customs inwards of London and the four ports" (which provided about one-quarter of the whole income under this head) with the result that the return to the Crown was at once improved by £10,000¹. The same process was applied in the other branches, notably in cases of tin, coal and lead²; and, as a consequence, the Ordinary Revenue increased, though trade was dull. Moreover, such increases in time necessarily involved additional payments by merchants. Just as in the case of the collection of subsidies, so in that of Customs allowances had been permitted, but as the farmers had to pay into the Exchequer more and more, they, in their turn, exacted full rates from the traders who exported or imported. Thus the cost of the war had a further consequence, in addition to the burden of the subsidies, in tending to depress trade, by what was virtually an increase in the Customs actually paid.

A further burden, while more direct, is less easily calculable. This was that for musters of levies in the inland counties and on the ports for ships. The tax, so demanded, is stated to have been "higher than the subsidy itself³," and it follows that the pressure of the two, on the people rated, was considerable.

The interruption of, and added danger to trade by the war produced serious losses, and as early as 1588, the clothiers were making "a grievous complaint of the ill vent of cloth" and the distress in Gloucester and Wilts from this cause was so extreme that the people were ready "to mutiny⁴," while, in 1591, it was reported that many merchants had become bankrupt "through loss of traffic⁵." English traders were

¹ State Papers, Domestic, Elizabeth, ccxxxix. 67; *Calendar*, 1591-4, p. 64.

² *Ibid.*, ccli. 100, 120; *vide infra*, III. p. 517.

³ "Subsidies be in the valuation of every man's lands and goods by records called the Queen's Books; and, according to men's valuation of subsidies, are they at all other charges as to the wars and in time of muster with horse and armour; and this charge maketh men so unwilling to be raised in the subsidy; but, if these subsidies brought in no other charge with them, they would be yielded willingly. But the tail and appendage of it being so great, and higher than the subsidy itself is the reason that men are so unwilling to yield it"—D'Ewes, *Journals*, p. 494.

⁴ *A Treatise of Commerce, wherein are shewed the Commodities arising by a well ordered and ruled Trade such as that of the Societie of Merchants Adventurers is proved to bee, written principallie for the better Information of those who doubt the Necessariness of the said Societie*, by John Wheeler, Middleburg, 1601, pp. 61, 62.

⁵ State Papers, Domestic, Elizabeth, ccxl. 143; *Calendar*, 1591-4, p. 162.

now excluded from Spain, Portugal, Barbary, the Levant and, to a considerable extent, from Poland, Denmark and Germany¹. Moreover, foreign trade was conducted at very great risk, since captures of merchant vessels by the enemy were not infrequent; and, after the taking of a fleet of ships from Bordeaux, it was said by Raleigh in 1593 that the merchants of Newcastle "lay still from fear," while "our trades decay every day, and our poverty increaseth every day more and more²." As time went on, it became clear that the loss from stoppage of trade and the taking of ships by the enemy was far from being made good by the prizes, obtained by the privateering syndicates. From 1588 to 1591 there is no record of any captures of considerable value. In 1592 an expedition, sent out by Raleigh, secured a prize, valued at £150,000. A rival syndicate, formed by the Earl of Cumberland, had a claim for salvage, and Elizabeth (who had a small share in one of the syndicates) took possession of the ship, under the plea of settling the dispute. The capital, ranking for division in both the privateering fleets, was a little over £50,000³; so that, if the prize had been divided proportionately between them, the division would have been 300 per cent. gross. The award of Elizabeth provided a profit (gross) of 100 per cent. for Cumberland and the London merchants; while Raleigh received only £24,000, which, according to his own account, left him at a loss, though this was the most valuable single ship taken during the war⁴. This action by the Queen was unfortunate; and, when the London ship-owners experienced delay in obtaining the share they claimed as due to them from the Cadiz voyage of 1596, there was a distinct tendency for the privateersman to avoid the larger expeditions. These, as investments, suffered from different commanders having different ideas. The man, appointed by a group of private adventurers, desired to obtain as much plunder as possible, while the naval captains, though they had orders not to neglect this side of the enterprize, had also to obey instructions from which profit, in a pecuniary sense, was unlikely to result. The consequence of this friction was that the independent adventurers were forced to act alone, and also, to some extent, privateering was discouraged⁵. This had a considerable effect on

¹ State Papers, Domestic, Elizabeth, cclxvi. 3; *Calendar*, 1598-1601, p. 2.

² D'Ewes, *Journals*, p. 492.

³	Raleigh and adventurers under him	...	...	26,200
	London Merchants	...	...	6,000
	Cumberland	...	...	19,000
				£51,200

⁴ *Publications Navy Records Soc.*, xxii. p. 295. The valuation of this ship is independent of a large quantity of precious stones on board, most of which were embezzled. Their value is said to have been £100,000.

⁵ Thus in November 1596 the Lord Mayor wrote to the Privy Council in order

the whole political situation. Out of a war-expenditure of $3\frac{1}{2}$ millions from 1590 to 1603, about three millions were spent on the land forces and about half a million on the extraordinary expenses of the navy¹. But, if the true import of the situation had been recognized, it was an efficient naval service, that would have been able to terminate the war in favour of England. Spain had come to depend entirely on the arrival of the treasure-fleets for the carrying out of commercial and political obligations. In the words of Mr Oppenheim, "the arrival of the fleets was awaited with strained anxiety. The effects of their non-arrival were felt equally in the hut of the Spanish peasant, payment for whose wool was to be made from their lading, in the offices of the German and Italian financiers, in the warehouses of the Swedish or Dantzic merchants who supplied naval stores, in the camps of Flanders and in the cities of France where civil war was bought with the silver of Potosi²." At this time, out of a total revenue of $14\frac{1}{2}$ million ducats, over two millions were derived from the West Indies and more than a million and a half from the East Indies³. It follows that the true source of the strength of Philip lay in the mines of America, and, after 1588, his weakness was the long sea-route, that had to be traversed before these resources could be made available. Had less been spent on land operations and the funds so released been used to equip the Navy to cruise across this line of communication, while at the same time privateers were encouraged to make raids, by receiving fair treatment, when they were successful, in being permitted to enjoy the fruits of the voyages unmolested; then, it seems possible that sufficient plate-ships would have been captured or destroyed to have rendered it impossible for Philip to keep his troops in

to express "the dissatisfaction of the citizens" at the poor results, financially, of the last two voyages to which they had contributed, when directed to do so by Elizabeth—*Remembrancia*, II. 58, summarized in *Analytical Indexes* to vols. II. and VIII. of...*the Remembrancia*, 1870, p. 38.

¹ Mr Oppenheim (*Publications Navy Records Soc.*, xxii. p. 10) estimates the expense of naval expeditions from 1585 at a million and that of land operations at four and a half millions. According to the figures and estimates in the text, the former from 1585 to 1603 would be as follows—

The Armada	...	...	...	...	£137,829
Navy (extraordinary)	1585-90	...	...	...	101,019
"	"	1590-1603	...	...	475,000
Navy (ordinary)	1585-1603	...	...	...	275,000
Total	...	...	...	...	£988,848

To this is to be added any payments for the sea forces, made through the treasurers of the armies in the Low Countries, France or Ireland.

² *Publications Navy Records Soc.*, xxiii. pp. 309, 310.

³ A Discourse of the State of Spayne, written in 1607, by Sir Charles Cornwaleys in Somers' *Tracts* (1751), xiv. p. 440. After the war it was estimated that the Spanish debt was 160 million ducats.

the field. As it was, England surrendered the advantage, secured by the defeat of the Armada, by concentrating its chief resources on a land-war, where it was at a disadvantage; and therefore the struggle was protracted and proved financially exceedingly burdensome to the country.

The continuance of the war, involving loss of trade and shipping as well as high taxation, was followed by further events prejudicial to commerce. From 1594 until 1597 there was a great dearth, and the price of wheat and other provisions was very high. In 1594 and 1595 the quotation of corn was from 56*s.* to 53*s.* 4*d.* a quarter, rising sharply in 1596 to 80*s.* and finally to 120*s.* which was repeated in 1597¹. Tillage was described as being very greatly decayed, and bread-riots were frequent². The distress in rural districts was accentuated by the rise in rents that had taken place during the time of prosperity from 1575 to 1586³. The wool-trade at the same time suffered, since in 1597 the Merchant Adventurers were expelled from Germany; and, for several years, it was difficult to obtain a market for wool⁴. The situation was so serious that it was reported that this company was on the eve of dissolving, and the whole trade of the city was described as being much impaired and its traffic greatly diminished⁵. The cumulative effect of these misfortunes was a period of considerable distress in 1597 and part of 1598, which approximated a crisis. That the Dutch succeeded in carrying on a trade with Spain, in spite of the efforts of Philip, produced great dissatisfaction amongst the mercantile classes in England. It was represented that "we, for their sake and defence entering into the warre, and being barred from all commerce and entercourse of merchandize, they in the meantime thrust us out of all trafficke to our utter undoing (if in time it be not looked into)⁶." The difficulty, experienced by Elizabeth in endeavouring to obtain a loan of £150,000, is another symptom of the acute depression of the time. The mention of it made the citizens "shrinke and pull in their hornes"⁷; and, after

¹ State Papers, Domestic, Elizabeth, cclxvi. 90; *Calendar*, 1598-1601, p. 36; Maitland, *History of London*, i. p. 280; *Chronicon Preciosum*, pp. 123, 124; *Analytical Indexes to vols. II. and VIII. of...the Remembrancia*, 1870, pp. 61-3.

² State Papers, Domestic, Elizabeth, cclvii. 80, cclxii. 151, cclxiii. 55; *Calendar*, 1595-7, pp. 217, 401, 420.

³ *A Quip for an upstart Courtier: Or a quaint Dispute between Velvet-breeches and Cloth-breeches. Wherein is plainly set down the Disorder in all Estates and Trades*, by R. Greene, 1592, in *Harleian Miscellany* (1745), v. pp. 376, 388, 396.

⁴ State Papers, Domestic, Elizabeth, cclxix. 6; *Calendar*, 1598-1601, p. 130; Camden, *Eliz.*, ut supra, iii. p. 748. *Calendar Salisbury MSS.*, vii. pp. 307, 308; *Early Chartered Companies*, by G. Cawston and A. H. Keane, London, 1896, p. 27.

⁵ *Letters written by John Chamberlain* (Camden Soc. 1861), p. 31.

⁶ *Ibid.*, p. 12.

⁷ *Ibid.*, p. 35.

efforts extending over six months, it was found impossible to obtain two-thirds of the sum required¹, so that the Queen was forced "to descend to mean men" and "pick up money here and there" as it could be obtained². Some return of confidence arose from the rumoured peace negotiations; but the outlook again became overcast, through anticipations of a Spanish invasion and by the serious nature of the revolt in Ireland. The concluding years of the war made great demands on the Crown finances, more than a million and a half being spent in Ireland alone from August 14th, 1598³. Against this and other charges, there was part of the subsidy of 1597 still to be received; and in 1601 Parliament granted eight-tenths and eight-fifteenths, which, on the basis of collection early in the reign, should have realized three-quarters of a million, but actually produced only a little over half a million⁴. The remainder of the funds required was obtained, with considerable difficulty, by sales of land, savings from the Ordinary Revenue and from miscellaneous extraordinary receipts, such as prize-money. Privateering was prosecuted vigorously; and Sir John Gilbert was said to have taken a ship, which, if proved a prize, was likely to be worth £100,000⁵. This capture was made with the assistance of four other privateers⁶, owned by a syndicate formed by Alderman John Wattes, who had been very successful in previous expeditions⁷. The prizes of the latter were valued at £18,625⁸, while in February 1603 it was reported that Captain Newport had taken five treasure-ships⁹. Apart from individual prizes of great value, there is sufficient evidence to show that the adventurers at this time met with very considerable success¹⁰. This, however, was only one side of the national account in relation to this phase of the war. The captures of English shipping were very great. In 1598 the Russia company was exceptionally unfortunate, losing two or three ships in this way on the voyage to Archangel and one of those returning¹¹; while, three years later, the Levant company had one of its vessels taken, which was valued at £40,000¹². In 1600 the Danes and Norwegians began to make reprisals on English shipping¹³. The Dunkirk privateers were very busy

¹ Chamberlain, *Letters, ut supra*, p. 37.

² *Ibid.*, p. 43.

³ *Journals of the House of Commons*, i. p. 395; *Parliamentary Debates in 1610*, edited from the Notes of a Member of the House of Commons, by S. R. Gardiner (Camden Soc. 1862), p. 4.

⁴ *Vide infra*, III. p. 526.

⁵ Chamberlain, *Letters, ut supra*, p. 127.

⁶ State Papers, Domestic, Elizabeth, CCLXXXIII. 59; *Calendar*, 1601-3, p. 163.

⁷ *Publications Navy Records Soc.*, xxii. p. 268.

⁸ State Papers, Domestic, Elizabeth, CCLXXXVI. 32; *Calendar*, 1601-3, p. 275.

⁹ Chamberlain, *Letters, ut supra*, p. 180.

¹⁰ *Publications Navy Records Soc.*, xxiii. p. 246.

¹¹ Chamberlain, *Letters, ut supra*, p. 18.

¹² *Ibid.*, p. 109.

¹³ Camden, *Eliz.*, *ut supra*, III. p. 824.

along the coasts, even taking vessels in the harbours¹, and in 1600 and 1601 some districts were so terrorized that no ship dared to leave the ports².

It follows that the loss of trade through the plague in 1592³ and bad seasons, the interruption of the woollen industry and the exclusion of English merchants from the Spanish dominions—all influences tending towards depression—became intensified towards the end of the war by numerous captures of ships and goods. The final misfortune was the serious outbreak of the plague which began in 1602, and which reached its height in September 1603. During the year December 1602 to December 1603, it was reported that 38,138 persons had died of the pestilence in London⁴, this being close on one-quarter of the estimated population at that time⁵. Merchants, like many of the other inhabitants, had fled to escape the risk of infection, and trade was described as “having utterly ceased” for a period of almost six months⁶.

For these reasons it is only to be expected that, during this period, the existing joint-stock companies, as well as the system as a whole, would remain in a condition of arrested development. Trading outside England was subject to new and serious risks, while the series of minor crises, as well as the discussions about monopolies⁷, tended to restrict invention at home. Joint-stock privateering, which had been so prominent prior to 1590, had declined for several years and only revived again towards the close of the war. The Spaniards in America were adopting precautions, which made captures a matter more of chance than of daring. In the larger expeditions, the loss of Granville and the *Revenge* in 1591 and the deaths of Hawkins and Drake in 1594 were far from being off-set by the capture of the *Madre de Dios* in 1592.

¹ Chamberlain, *Letters, ut supra*, p. 101; *Analytical Indexes to vols. II. and VIII. of...the Remembrancia*, p. 39.

² *Calendar Salisbury MSS.*, ix. 343, 350.

³ The deaths from plague in 1592 in London were 11,503—*London's Lord Have Mercy upon us, A True Relation of the Seven Modern Plagues or Visitations in London, 1665, Somers' Tracts* (1750), vii. p. 53; *An Historical Account of the Several Plagues... since...1346*, by Dale Ingram, 1755, p. 2; *Natural and Political Observations mentioned in a following Index made upon the Bills of Mortality*, by Captain John Graunt, 1665, p. 65.

⁴ *The First Letter Book of the East India Company*, edited by Sir George Birdwood, p. 39; *London's Lord Have Mercy upon us*; Dale Ingram, *An Historical Account of Several Plagues*, p. 2.

⁵ The population of London was estimated to have been about 160,000 by Giovanni Botero—Anderson, *Annals of Commerce*, II. p. 235.

⁶ *First Letter Book of the East India Company*, p. 39.

⁷ *Vide infra*, Chapter vi.

The war told especially on the Levant trade which began to fall on evil times towards the end of the century. At first the company was accustomed to a return of about 300 per cent.¹, but during the war many ships were captured and the currant monopoly was heavily burdened with taxation, with the result that there was dissatisfaction, and the privileges of the company were suspended. Eventually it was re-organized, but as a regulated company². During the last years of the existence of this body under joint-stock organization, a group of its members was instrumental in forming the East India company, which was incorporated in 1600. The closeness of the connection between the two undertakings is shown by the fact that the same volume was used as a letter-book by the Levant adventurers and for the earliest minutes of the East India merchants³. If the origin of the capital, used for the foundation of the India trade, be traced back, it will be found to have a curious history. Much of that, employed in establishing the Levant company, came from the gains of Drake's privateering in the voyage round the world. Then, out of the profits of the Levant trade, a considerable part of the resources, required to start the East India venture, was provided. As yet, however, the latter was in a purely experimental condition, and its development required better times. The same remark is true of other promising enterprizes, the Russia company had discovered whaling grounds⁴, Raleigh was continuing, under great disadvantages, to act as the pioneer of colonizing⁵; and, in the Parliaments of 1597 and 1601, proposals had been made for the draining of low-lying lands at home⁶. With the return of more settled conditions, these various activities became prominent in the next period.

Probably of all the companies, that trading to Russia should have been least disturbed by the war. Its trade route lay outside the area of hostilities, and the numerous expeditions led to an increase in the demand for some of the commodities it imported. Unfortunately it suffered from some special disadvantages. The third company started in 1586-7 with a small capital; and, in the commercial world after 1587, it was difficult to obtain more. Even though interest was relatively low—it appears to have been about 8 per cent. on loans to Elizabeth—this was an evidence of want of confidence, rather than of an abundant supply of capital. Thus in three years following 1586, dividends of profits were declared of 11 per cent., 28½ per cent. and

¹ Anderson, *Annals of Commerce*, II. p. 299.

² *Vide infra*, II. p. 88.

³ *The Dawn of British Trade to the East Indies*, by Henry Stevens, London, 1886, pp. 226-83; cf. *infra*, II. pp. 91, 97.

⁴ *Vide infra*, II. p. 47.

⁵ *Ibid.*, II. p. 244.

⁶ *Ibid.*, II. pp. 352, 353.

30 per cent., respectively. It was unfortunate that, in making up the accounts, insufficient provision was made for doubtful debts, and it was found necessary in each case to make an assessment on those who had received these distributions. By means of these levies, the second payment was reduced to $9\frac{1}{2}$ per cent. and the third to $\frac{3}{8}$ per cent.¹ Other difficulties arose from the attack, made on this company in the Parliament of 1604²; and, in addition, there were disputes between the governor and the commonalty about the private trade carried on by the former³. The delay, involved in the elucidation of claims arising out of this matter, prolonged the existence of the existing joint-stock, which appears to have been wound up about 1607.

The society of the Mines Royal was also troubled by financial difficulties, and especially the subsidiary company, formed by the German miners, which in 1600 was forced to suspend operations, until it could obtain payment for copper sold⁴. There was nearly being a serious dispute between this society and that of the Mineral and Battery Works. The former had the right of mining the precious metals in the whole of Wales, while the latter had iron works (concerning which there had been the numerous disputes mentioned in a previous chapter⁵) in Monmouthshire. One of the farmers of a portion of these works used his lease to cover, as it was alleged, the smelting of large quantities of silver ore, without paying a royalty to the Mines Royal⁶.

The period of depression shows itself in the change that now appears in the tenure of the wire and iron works. Up to 1587 each new offer, for the farm of these, produced an increased rent. Possibly, in view of the favourable impression such competition would produce as to the profits, the society ran the works on its own account for a number of years, but it was not long before a reversion was made to the farming system, though at a greatly reduced rent⁷.

In one respect the society of the Mineral and Battery Works was very fortunate. It was able to obtain an act, prohibiting foreign wool-cards in 1601, and it escaped condemnation in that Parliament, though it exercised two monopolies: since the bill, discussed, only applied to patents granted to individuals. When the subject was dealt with in 1604, the investigation was confined to bodies engaged in foreign trade, so that this society was outside the range of censure on both occasions⁸.

¹ *Vide infra*, II. pp. 48, 49. In the summary in the text the dividends and assessments are given in the nearest fraction per cent. The exact sums are stated in the account of this company.

² *Vide infra*, p. 127.

⁴ *Ibid.*, II. p. 399.

⁶ *Vide infra*, II. p. 422.

⁸ *Ibid.*, II. p. 424.

³ *Ibid.*, II. p. 52.

⁵ *Vide supra*, p. 66.

⁷ *Ibid.*, II. pp. 421-3.

CHAPTER VI.

THE DISCUSSION OF MONOPOLIES, 1597-1604.

THE strain of the war with Spain showed itself, not only in high taxation in England, but also, to a certain extent, in a relaxation of supervision in the internal management of the State. The policy of avoiding foreign complications, as far as possible, during the earlier part of the reign of Elizabeth had given her ministers time and opportunity to control domestic affairs. After the Armada there were successive naval and military expeditions, which had to be prepared generally at short notice. The political situation emerged from one crisis only to enter another, and the best energies of the greatest statesmen were concentrated upon foreign politics. For these reasons, during the closing years of the sixteenth century, there is frequent mention of abuses; and the people were able to make their voices heard through Parliament, since the need for supplies, to carry on the war, compelled Elizabeth to call the members together more frequently than had been thought necessary at the beginning of her reign. One of the abuses to which attention was drawn was the existence of patents of monopoly. This subject received particular attention, together with a number of others, in 1597, owing to the industrial depression of that year¹. Parliament endeavoured to discover the causes that had contributed towards the existing distress, and the "enormities growing by patents of privilege and monopolies" were mentioned². The House of Commons did not pass any resolution, but the Speaker brought the matter under the notice of Elizabeth. She, in the speech at the close of the Parliament, declared that "she hoped her dutiful and loving subjects would not take away her prerogative, which is the chiefest flower in her garden and the principal and head pearl in her crown and diadem, but that they will rather leave that to her disposition. And as her Majesty hath proceeded to tryal of them already, so she

¹ *Vide supra*, p. 100.

² D'Ewes, *Journals*, *ut supra*, p. 554.

promises to continue, that they shall all be examined and abide the trial and true touchstone of the law¹."

In this manner the full discussion of the subject was evaded, and, at the same time, the Crown tacitly admitted that a royal grant of trading privileges was subject to a trial at law. How much or how little this meant depended on the purity of the administration of justice, which at this period was far from being immaculate. There is some evidence that an effort was made to carry out the promise, made to Parliament in 1597². About 1600, an opinion was obtained from Coke, the Attorney-General, on the extent of the prerogative. He stated that the Queen might prescribe orders for the advancement of trade, that being a point of government. This was supported by the precedent of the incorporation of the Merchant Adventurers. She was also entitled to grant patents for the exercise of new inventions, as convenient to the commonwealth, that the inventor may reap some reward for his service and she might also grant privileges for new trading voyages³. These principles were not illiberal, considering the times; but there were two loop-holes by which abuses might enter. The Queen might be misinformed as to the novelty of some privileged trade, or again it was possible that, during a period of some confusion, the beneficiary, under a certain grant, might use it in an oppressive manner, by exacting something which was not included in the patent. There appears to be little doubt that there were abuses of the latter kind; and it was stated, later, that some of these had been remedied, and that more would have been tried had it not been for the pressure on the courts, arising out of the trials occasioned by the rebellion of Essex⁴. At the same time, it is important to notice that, at least in one case, a suit against a patent in the Common Pleas was stayed by an order from Elizabeth, "that her prerogative might not be called in question⁵." Thus the investigation was not as complete as had been expected. If Elizabeth had been prepared to allow a trial of the patents in existence in 1600 and 1601, it is probable that the majority of them, *as grants*, would have been defensible. At the same time, the agents of the patentees in many cases had acted *ultra vires* and thereby occasioned great complaint; therefore,

¹ D'Ewes, *Journals*, p. 547.

² In 1601 Bacon stated that since the last Parliament fifteen or sixteen patents had to his knowledge been repealed, "some by her Majesty's own express commandment upon complaint made to her by petition, and some by *Quo Warranto* in the Exchequer." *Ibid.*, p. 645. At the same time another member stated he had "never heard the cry against monopolies greater and more vehement." *Ibid.*, p. 646.

³ State Papers, Domestic, Elizabeth, cclxxvi. 81; *Calendar*, 1598-1601, p. 521.

⁴ D'Ewes, *Journals*, p. 652.

⁵ State Papers, Domestic, Elizabeth, cclxxxii. 8; *Calendar*, 1601-3, p. 108.

on the ground of these abuses, there would have been sufficient reasons for the quashing of some of the patents. Such a course would have been the most satisfactory one in the circumstances. The reasons it was not adopted completely were, first of all and in the main, the great pressure of other public business, secondly there may have been the fear that, although it could have been shown that in most cases the abuses arose from illegal acts of the patentees or their agents, the voiding of the patents might have appeared to reflect on the prerogative. Finally, there was a small group of grants in favour of some of the younger favourites of Elizabeth, and she was unwilling to deprive them of the privileges, recently conferred upon them.

While these causes afford an adequate explanation of the delay in obtaining a redress that would have been easy to grant without any sacrifice of dignity by Elizabeth, such partial satisfaction only encouraged the Commons to press the matter with more insistence in the Parliament of 1601. In fact England was smarting under the cessation of the prosperity that had been enjoyed from 1575 to 1586, and, as has often happened since, the first impulse was to seek for real or imaginary abuses to be remedied by Parliament. Amongst a number mentioned, the monopolies seemed to be in some respects the line of least resistance, and therefore attention was again directed to this subject. On November 19, 1601, this topic was re-introduced in a somewhat unexpected manner. On a bill being handed to the clerk to be read, a number of members clamoured for another bill, intended to reform abuses in the Exchequer, and "some said 'yea' and some 'no' and a great noise there was¹." Eventually Laurence Hide was able to make himself heard, and he obtained leave to bring in a bill "to explain the common law in certain cases of letters patents." In the important debate which followed, a number of different lines of argument cross each other. There was the constitutional question, as to whether the House should proceed by bill or by petition to the Queen or by the compromise of a petition for leave to consider a bill. Then there were numerous points of law, and finally the economic question of the advantages and disadvantages of monopolies emerges. The grievance of patents was prefaced by many speakers with extravagant expressions of condemnation. The monopolist was described "as the whirlpool of the princes' profit," "the bloodsucker of the commonwealth." Francis Moore said that no act of Elizabeth "hath been more derogatory to her own majesty, more odious to the subject, more dangerous to the commonwealth than the granting of these monopolies." Another member² represented himself as speaking "for a town that grieves

¹ D'Ewes, *Journals*, p. 644.

² Richard Martin, representing Barnstaple.

and pines, for a countrey that groaneth and languisheth under the monstrous and unconscionable burden." In such language, there was necessarily a certain amount of exaggeration, and the House was well advised in committing the whole subject to a Select Committee. The most complete list of the patents, complained of, was given by Sir Robert Wroth, who mentions twenty-four patents, which he considered objectionable¹. These include all privileges, relating to commodities, whether exercised by an individual, a corporation or a trading company. It was held at this time that a true monopoly (or certainly the most objectionable one) was that granted to a single individual, thus Bacon said, "if the grant be to a number of burgesses or to a corporation, that must stand and is forsooth no monopoly²." For this reason several of the alleged monopolized commodities, mentioned by Wroth, do not appear in the list returned by the Committee. Those, controlled by companies, were currants (the Levant company³) and calamine stone (the Mineral and Battery Works⁴).

Altogether the Committee had before it upwards of forty grants of different kinds. The only unity amongst these consisted in the fact that, in all of them, there was an element of compulsion, originating from the Crown. It cannot even be said that the whole list contains only those grants, limiting the initiative of the individual trader, since a considerable number were aimed at removing, rather than the imposing of restrictions. This group of licenses comprises two sub-divisions, the one relating to domestic, and the other to foreign trade. With regard to the former, it was considered that the act for the right tanning of leather resulted in certain inconveniences; and, as far back as 1575, a patent had been granted to Sir Edward Dyer to release certain of the forfeitures under the statute, in some specified cases. Then, the laws, prohibiting exportation of various commodities, sometimes resulted in a glut of these in the home-market; while conversely it was held advisable, in other cases, to relax the impediments to imports. It was customary to effect these objects by means of a royal license, which, as a rule, specified the quantity of a given commodity to be exported or imported. There were eight of these grants, mentioned by the Committee. Several affected trades of very small importance, as for instance the license to export lists and shreds, aniseed, a limited number of calf-skins and two others, described as of "no great importance," for small quantities of iron and tin⁵. There still remained three grants. One of them was the permit to export steel. At this time, it was admitted that steel was a new trade, and efforts

¹ D'Ewes, *Journals*, p. 648.

² *Ibid.*, p. 645.

³ *Vide infra*, II, pp. 86, 87.

⁴ *Ibid.*, II, p. 424.

⁵ D'Ewes, *Journals*, p. 650.

were being made (as will be shown below¹) to establish the manufacture in England by the limitation of competitive imports. Obviously, the encouragement of an individual to export English steel would be productive of good, if only as showing how far it could compete in foreign markets. Then there was the patent for the brewing of beer for export. This was the continuation of an old grant, surrendered by William Carr in 1596. On November 23rd a new patent was issued, which conferred the privilege of the sole brewing of all beer *for export by license* in London, Westminster, Sussex, Essex, Kent, Middlesex and Surrey, subject to the following provisos, that the grant was not to apply to beer for the navy, the army or members of the Royal Household and that, if the price should "excessively increase," it was to be moderated by the Lord Treasurer². Finally, there was a license, which had originally been made to Dr Hector in 1567 and which expired in 1594, to import wool from Spain for making Spanish felts. This was renewed in favour of Michael Stanhope, groom of the privy-chamber, for twenty years, on condition that he should pay 4s. 2d. per cwt. custom³. As yet the demand for Spanish wool in England was not great, and, in any case, during the war with Spain, the possibilities of such importation would not be frequent. At the same time, in principle, even from the point of view of the time, this license was objectionable, since it tended to impede the development of one branch of the cloth trade.

At first sight, it is not easy to discover why these transportation-grants were included in the indictment against monopolies. The difficulty arises from the popular impression that the House of Commons, in the time of Elizabeth and James I., was the champion of freer trade. If this were so, it would have been in the illogical position of condemning a tendency in this direction. As a matter of fact, the ground of objection to this group of licenses was that the Crown had intervened to modify the consequences of restrictions, imposed on trade by Parliament⁴. Even granting there may have been some abuses in the carrying out of such licenses, it is plain that at a period, when Parliaments were infrequent, some machinery was required to relax regulations made to meet a temporary emergency. In addition to the feeling of irritation against the interference of the Crown, there was another element which explains the attitude of the Commons. As already shown⁵, trade had been bad, and the mercantile class had

¹ *Vide infra*, p. 117.

² State Papers, Domestic, Elizabeth, cclx. [*Docquet*]; *Calendar*, 1595-7, p. 307.

³ *Ibid.*, ccl. [*Docquet*]; *Calendar*, 1591-4, p. 556.

⁴ *The English Patents of Monopoly*, by W. Hyde Price, Boston, 1906, pp. 9, 10.

⁵ *Vide supra*, pp. 100-2.

suffered. It resented the growing importance in commerce of the capitalist, who was not a merchant. During the first twenty years of the reign of Elizabeth, capital was so exceedingly scarce in England that it was welcomed from any source, even from abroad¹. After a series of good years there was considerable accumulation. Had trade been prosperous in the last years of the sixteenth century, in view of the large war-expenditure, it is probable that merchants would have been glad to obtain capital from other classes. But, with the depression of trade, the series of losses through the war, the high prices occasioned by the recent scarcity and the consequent fall in profits, merchants were anxious to limit competition to their own class at least. This spirit expresses itself with sufficient emphasis in a petition of the Merchants of the Staple, as early as 1560, against licenses to export wool, which had been granted to persons who were not merchants or members of the society. This course, they urged, had led to the utter decay of the company, through the competition of the broggers of the licensees who "swarmed" through the country and bought wool at "unreasonable" prices².

After separating the export and import licenses, there still remain about thirty grants, complained of by the Committee in 1601. Six of these may be readily disposed of. These were authorizations to print certain specified books, and are in reality instances of copyright. There was no question of an important trading monopoly in an edition of Tacitus, or of the Psalms in Hebrew, or of songs in three parts.

Another small group of grants related to the sowing of certain seeds, which were related to the textile industries, such as hemp, flax and woad.

It is plain that the grievances, if grievances there were, are to be sought in the remaining fifteen grants. These may be divided into four distinct classes, one related to munitions of war, another to articles of the greatest luxury, another to manufactures, alleged to be new, and a final group, which is made up of miscellaneous privileges given by Elizabeth for personal reasons. This last class to a certain extent is a cross division, since it could be amplified by the inclusion of patents, such as those to Darcie, Stanhope and others, which have been assigned to one of the other sub-divisions, but it will be convenient to distinguish cases where there was an element of royal favour, conjoined with a supposed economic benefit to the country, from others where the latter element is either absent or not apparent. The patents granted

¹ Cf. the existence of German shareholders in the Mines Royal, *infra*, II. pp. 385-7.

² State Papers, Domestic, Elizabeth, Addenda, ix. 56; *Calendar Addenda*, 1547-65, p. 500.

for personal reasons were to a considerable extent conditioned by the state of the Crown finances. It has been shown that, during the closing years of the reign, there was a great strain on the Exchequer, and one direction in which some alleviation was sought was by means of the grant of offices or privileges¹. Thus, in some cases, grants, affecting trade, were made to servants of the Crown, as a remuneration for services. It was characteristic, both of the times and the temperament of Elizabeth, that there was a tendency towards payment being made in kind rather than in money, and most occasional or exceptional services were rewarded in this way as well as, in some cases, claims arising out of fixed salaries that had fallen into arrear. Thus the paramount necessity of increasing the surplus from the Ordinary Revenue, in order to provide for extraordinary charges, accounts for the appearance of monopolies in favour of those, who had claims on the Crown, which could not be conveniently liquidated otherwise². One of these personal grants may be readily disposed of, namely that to Eliza Matthews, widow of a Yeoman of the Poultry, to make train oil out of blubbers and the livers of fish, which was granted in 1594, with a monopoly for twenty-one years³. It was scarcely in accordance with the dignity of Parliament to draw attention to a paltry matter of this kind, since the amount of oil extracted from the livers of fish in England must have been inconsiderable. Two grants to Raleigh were on an altogether different basis. One of these was the farming of the impost on sweet wines⁴. The objection to this must have been due to the personality of Raleigh (who is said at this time to have been the most unpopular man in England), since the system of "farming" certain imposts was a recognized method of fiscal administration. There were numerous other farms of Customs in existence, and it is not altogether creditable to the agitators in Parliament that one of these should be pilloried and the rest ignored.

Part, at least, of the objection to Raleigh's connection with

¹ *Fragmenta Regalia, or Observations on the late Queen Elizabeth, her Times and Favourites*, by Sir R. Naunton, 1642, p. 7; *vide supra*, p. 99; *infra*, III. pp. 498, 508, 509.

² *Vide supra*, p. 96; *infra*, III. pp. 507, 508.

³ State Papers, Domestic, Elizabeth, CCXLVIII. [*Docquet*]; *Calendar*, 1591-4, p. 513.

⁴ There was a prejudice against any interference with the trade in sweet wines dating back to the time of Edward III., in whose reign John Peachie of London was punished for exercising a monopoly of selling these wines in London. Again, by a patent of Mary, the burgesses of Southampton obtained the sole right to import malmsey into England. This grant was pronounced contrary to the statutes by a court composed of all the judges—*Institutes of the Laws of England*, by E. Coke, London, 1797, VI. p. 181.

tin-mining¹ is to be attributed also to personal motives. In this case, the privileges he exercised, while far from unobjectionable, constituted an immense improvement on the system in vogue a few years before. For an understanding of the position it is necessary to bear in mind two different circumstances. The Crown was entitled to certain rights, arising out of the Duchy of Cornwall, amongst which was the pre-emption of tin, as well as a royalty on the quantity raised. As yet, tin-mining was insufficiently provided with capital, and therefore the miners had to be financed by some outside person. In 1595, there was keen competition between Lord Buckhurst and the Earl of Oxford for a transfer of this right of pre-emption. The plan proposed was that the farmers should purchase the whole output of the mines, paying £25 per 1000 lbs. to the miners, and, by creating an artificial scarcity, they expected to advance the price to £50 per 1000 lbs. It was expected that, in this way, a gross profit of £40,000 a year could be made. It was proposed to pay Elizabeth £7000 annually after the first year, to lend her money at 8 per cent., and to reduce the high rate of interest, then paid by the miners to the London merchants, who advanced capital, before the tin was smelted². Buckhurst proposed to Burghley that the latter might put in £10,000 stock, if he used his influence as against Oxford. In 1599, Bevis Bulmer, who had previously been interested in a number of mining speculations³, tendered £10,000 a year for the right of pre-emption at £26. 13s. 4d. per 1000 lbs.⁴ About 1600, Elizabeth decided to abolish the system of pre-emption of the whole output, substituting for it a fixed levy on each 1000 lbs. In a proclamation to the tinnors, the Queen stated that this method was more convenient to the whole realm, though less profitable to the Crown. To remedy the lack of working capital amongst the miners, money was to be lent them up to £4000, half yearly, free of interest⁵. It appears to have been the farming of the royalty, which was granted to Raleigh, of which the Commons complained. This method, in spite of the censure of the House, was more advantageous to the country and the miners than that of pre-emption. There was now only one price (about £27 per 1000 lbs.), and this was received by the miners, subject to the deduction of the royalty, and, allowing for the payment of it in money, not in kind as before, they obtained more than formerly. Moreover, the purchaser of tin was able to buy it at the mine, freely,

¹ G. R. Lewis, *The Stannaries*, p. 146.

² State Papers, Domestic, Elizabeth, ccli. 71, 100, 120; cclii. 49; ccliii. 68; cclv. 58; *Calendar Salisbury MSS.*, v. pp. 160, 168.

³ *Vide infra*, II. pp. 398, 409.

⁴ State Papers, Domestic, Elizabeth, cclxxiii. 9; *Calendar*, 1598-1601, p. 330.

⁵ *Ibid.*, cclxxvi. 18; *Calendar*, 1598-1601, pp. 506, 507.

and thereby effected a saving of almost 100 per cent. When the matter was debated in Parliament, Raleigh stated that, before his patent, wages amongst the tin miners had been as low as 2*s.* a week, but that, afterwards, 4*s.* a week was paid and that "there is no poor that will work there, but may and have that wages." At the same time, he said that, if all other patents were to be repealed, he "would give his consent as freely to the cancelling of this as any other member of the House." It is recorded that there was "a great silence" after his declaration¹.

Doubtless had Raleigh not been personally unpopular, the patents granted to him would not have been mentioned. In fact, the inclusion of these raised the whole question of leasing the collection of the different taxes; and public opinion, as yet, was not sufficiently formed to see the objections to this method of fiscal administration.

A distinct group of the grants impugned relates to munitions of war, such as ordnance and gunpowder. It will be remembered that, at the beginning of the reign of Elizabeth, the greatest difficulty was experienced in importing arms and powder from abroad². Had England not been able to produce some powder, the country would have been at an enormous disadvantage in the contest with Spain. During the years before the Armada, this industry had been reduced to small dimensions in England; and, when the need arose, it was found impossible to obtain a supply abroad. Warned by the danger then experienced, the administration took steps, whereby a patentee, bound under certain penalties, undertook to supply powder up to a certain amount each year, when required. It was claimed in 1600 that English powder had been sold for the past eleven years at 8*d.* per lb.; whereas, had it been imported, the price would have been 1*s.* It was said that the saving to the State in this period was £100,000. The same reason accounts both for the necessity of a monopolistic element in this industry and for the dissatisfaction with which it was regarded. The foundation of powder-making in the sixteenth and seventeenth centuries consisted in the obtaining of earth from the floors of buildings that had been used for stables³. This earth required to be put through certain processes in order to extract the saltpetre. In a period of national crisis, it was necessary that someone should be invested with powers of entering private property, of removing the soil required, subject to making good any damage done. Such powers could only be exercised either by the State or by persons to whom the duty was delegated, under satisfactory guarantees. In this case, the Crown concerned itself chiefly with obtaining an undertaking that the powder should be supplied to it at a low price, and by 1600 no more than 7*d.* per lb. was paid.

¹ D'Ewes, *Journals*, p. 646.

² *Vide supra*, pp. 24, 30.

³ *Vide infra*, II. p. 471.

From this point of view, the working of the patent was satisfactory, since Burghley is said "oftentimes to have spoken of this contract, as the greatest service that could be done for the security of the kingdom, the strength of the wars being altered from bows and arrows to ordnance." The demand for powder, towards the end of the sixteenth century, made it necessary to empower the patentees to dig for peterish earth in the grounds "of the better sort, which had not been entered previously." It was probably for this reason that objection was made to this class of grant¹. Sir Robert Cecil, in informing the House of the decision of Elizabeth on the subject, described this patent in the following terms: "There is another patent—that for saltpetre—that hath been both accused and slandered. It digs in every man's house, it annoys² the inhabitant and generally troubleth the subject. For this I beseech you be contented...for I must tell you the kingdom is not so well furnished with powder as it should be. But, if it be thought fit (upon advice), that it should be cancelled, her Majesty commanded me to tell you that, though she be willing to help the grave gentleman that hath that patent, yet, out of the abundant desire she hath to give you compleat satisfaction, it shall be repealed³."

Another group of patents, which fell under the censure of the House of Commons, affected articles that may be described as superfluities, such as the making of gold and silver thread, the selling of playing cards and the keeping of unlawful games, otherwise described as the "dice patent⁴." The object in issuing these grants was, by reserving a substantial money payment from the patentee, to increase the price of the commodities with a view to diminishing the sale. The State was entitled to restrict gambling, and the only questions, that remained open, were whether the tax should be imposed by the Crown or by Parliament, or whether the imposition should be collected by officials or farmed to an individual. None of these problems were considered by Parliament, attention being concentrated solely on the inconveniencies occasioned by the patents. Of these the playing-card grant was considered most obnoxious. It had been made to Edmund Darcie, who had obtained powers from the Privy Council to search shops for any cards that did not bear his seal⁵. It was said that, in the execution of

¹ State Papers, Domestic, Elizabeth, cclxxv. 76; *Calendar*, 1598-1601, pp. 470-2.

² In Townshend, *Historical Collections*, p. 251, instead of "annoys," there is printed "removes."

³ D'Ewes, *Journals*, p. 653.

⁴ It is recorded that at the mention of this, during the debate, Raleigh "blushed." Since there is no evidence that he was interested in this grant, it seems likely that his confusion or indignation was manifested at the mention of the patent for tin.

⁵ State Papers, Domestic, Elizabeth, cclxxix. 93; *Calendar*, 1601-3, p. 46.

such search-warrants, Darcie's deputies summoned delinquents to appear at courts fifty miles distant, and that, in many cases, the persons accused compounded for a money payment to the searchers, rather than face the loss of time involved in defending themselves¹. This patent was one of those tried under the promise, made by Elizabeth to Parliament in 1597, and a message was sent to the judges that the Queen "would not have her prerogative called in question²." At this date—the message was dated October 7th, 1601—it is to be remembered that some fifteen grants had already been annulled, so that, although Elizabeth appears to have broken the letter of her promise, she had shown a disposition to carry out the spirit of it.

There remains one group of patents which comes nearest to *industrial* monopolies. There were in all seven³ of these; and it was urged that, through these grants, the price of common commodities, such as glass, paper, starch, and steel, was enhanced. The starch patent should not have been included, as it had already been revoked; it is, however, of interest as showing the peculiarities, connected with the execution of some of these grants, and how, in time, numerous persons became interested. Originally granted in 1588, this patent had been acquired by Sir John Packington in 1594, and was reissued in 1598 in favour of a new method of making starch; and thus constituted a legitimate encouragement of invention. Packington assigned his franchise to Sir Robert Cecil who sold it to George Rivers and John Ellys. They transferred it to four persons, reserving an annual rent of £4,200. Finally, this rent charge was purchased by Burghley and Sir Robert Cecil⁴. The partners, who had to make this considerable rent before obtaining a profit for themselves, secured authorization to search for starch, made in contravention of their patent; and, in 1600, a man was arrested in Taunton for resisting the agents of the patentees⁵. In 1601 a complaint was presented by 38 persons in London, who alleged that they had been wronged by the "rigorous dealing" of the servants

¹ Townshend, *Collections*, pp. 240, 241. It should be carefully noted that this and all statements, relating to prices, were not made in open debate. They were contained in a paper, shown to Townshend by the member who sat next him.

² State Papers, Domestic, Elizabeth, cclxxxii. 8; *Calendar*, 1601–3, p. 108. Subsequent proceedings, *Darcy v. Allen*, embodied the pleadings on monopolies at this time; this case is reported in *Monopolies by Patent*, by J. W. Gordon, 1897, p. 2.

³ This is confirmed by the statement of Chamberlain in 1621, who wrote that at the accession of James I. there were "some eight or nine monopolies then complained of." State Papers, Domestic, James I., cxvi. 13; printed in Gardiner, *History 1603–42* (1893), iv. p. 1.

⁴ *Calendar Salisbury MSS.*, viii. p. 172.

⁵ State Papers, Domestic, Elizabeth, cclxxvi. 84; *Calendar*, 1598–1601, p. 521.

of this partnership¹. This was one of the worst instances of the abuse of search-warrants, issued by the Privy Council, although, strictly speaking, the matter should not have been mentioned, since, as already stated, the patent had been recalled. Another case, that presents some points of similarity, was the grant for substitutes for *Aqua Vitæ* and vinegar, which had been made also on behalf of a new invention. In this instance, persons, acting for the patentee, forced those selling the original commodities in a certain district either to purchase the substitute, or else to compound with the patentee so that they might dispose of the stock they owned at the time. This action was shown to be quite unauthorized by the patent². It is interesting to notice that when Ben Jonson wrote his play, "The Devil is an Ass," about 1616, this patent was still remembered—

"Via pecunia! when she's run and gone,
And fled and dead; then will I fetch her again
With *aqua vitæ*, out of an old hogshhead!
While there are lees of wine and dregs of beer
I'll never want her³."

The paper patent was objected to on different grounds. It was also a new invention, in the sense that there was no paper-mill in existence in England, when John Spilman received this grant about 1588⁴. He also obtained certain privileges for the collecting of the rags he required. This concession was enjoyed, without interruption, until 1600, when Edward Marshall established another paper-mill. Marshall approached the Common Council of London, offering a yearly rent for the sole right of collecting rags in the city. The Council, thereupon, interdicted Spilman, who appealed to the Privy Council⁵. It is quite evident that in this case the origin of the complaint against Spilman arose from the desire of the Council to obtain a revenue from the refuse-rags; although the plea, actually put forward, was that the authorities had no sufficient control over the rag-pickers⁶. As showing that the ordinary law was sufficient to deal with any complaints that arose, it is worth noting the settlement, made between Spilman and Marshall a few days before Parliament met and which was drawn up by Francis Bacon. Spilman

¹ State Papers, Domestic, Elizabeth, cclxxxii. 29; *Calendar*, 1601-3, p. 115.

² D'Ewes, *Journals*, p. 644; *Analytical indexes to vols. II. and VIII. of...the Remembrancia*, 1870, pp. 32, 34.

³ Act II. scene I.

⁴ *A Spark of Friendship...With a Description and Commendation of a Paper-Mill, now of late set up (near the Town of Dartford) by an High-German, called Mr Spilman, Jeweller to the Queen*, by T. Churchyard, 1588, in *Harleian Miscellany* (1745), III. p. 255.

⁵ State Papers, Domestic, Elizabeth, cclxxix. 87; *Calendar*, 1601-3, p. 43.

⁶ *Ibid.*, 88; *Calendar*, 1601-3, pp. 43, 44.

undertook to exact no penalty from Marshall for any invasion of his rights in the past, and he bound himself to supply a mill, established by Marshall, with rags. On the other hand, the lease, recently granted by the Council, was to be surrendered, and Spilman remained the sole collector of rags for paper-making¹.

The patents for drinking glasses, a special kind of stone-bottle², and for steel were objected to on the ground of the great rise in the price of the commodities. In dealing with the increase, two facts should be noticed—first that these statements were not made in open debate, but were contained in a paper, which was shown to Townshend (who records the fact) by another member. Therefore it is impossible to determine what reliance, if any, is to be placed on the figures. In the second place, supposing that the agents of the patentees obtained an advance on the prices, reached thirty years before, it is to be remembered that there was a general rise in the interval. Townshend's anonymous informant stated that the price of steel had doubled and that of the other commodities was trebled, or (in the case of drinking glasses) quadrupled³. What is significant in these industries is that the earlier quotation was that of an imported commodity, while the later relates to the same things, produced in England after importation had been practically prohibited. Therefore, the question really resolves itself into a discussion of the protection of "infant industries." Supposing Townshend's friend was correct, there was an absolute rise in price; but, when the change in the general level is taken into account, such rise would be less than it appeared. Then, the further problem would arise, whether this relative dearness should have been faced to establish the industries in question in England. There can be little doubt that, if the matter had been stated in this form, apart from prejudice, members of the Parliament of 1601 would have accepted the sacrifice, or otherwise they would have departed from the practice of the whole of contemporary legislation⁴.

Had the discussion of monopolies been a temporary phenomenon, the foregoing detailed examination of the state of the case in 1601 would have been unnecessary; but, since that discussion is no more

¹ State Papers, Domestic, Elizabeth, cclxxxii. 6; *Calendar*, 1601-3, p. 108.

² *Monopole, Kartelle und Trusts, in ihren Beziehungen zur Organisation der kapitalistischen Industrie, dargestellt an der Entwicklung in Grossbritannien*, von H. Levy, Jena, 1909, p. 29.

³ *Memorials*, pp. 240, 241; *The Political History of England, 1547-1603*, by A. F. Pollard, 1910, p. 474.

⁴ This view of the situation is confirmed by the fact that there were two patents for steel, representing different processes of manufacture, besides another for the exporting of it.

than a preface to later debates on the subject, it is important to obtain as clear a statement as possible of the different points of view from the beginning. Moreover, in view of the presentation of the same dispute in 1604, it is advisable to estimate the clear-sightedness and disinterestedness of the House of Commons.

Summing up all the grants, it is evident that many of the complaints were utterly irrelevant. Most of the patents, that were in reality of the nature of trading monopolies, could be defended *as grants*, either to encourage *bona fide* new inventions, for fiscal purposes or for national defence. The complaints of Parliament were to a large degree illogical, since, in several cases, the Crown was merely carrying out the same policy that had received legislative sanction from the House. For instance, the importation of a considerable number of commodities, made of steel, was forbidden by an act, and no real objection could be made to the Crown granting patents to those, who would start this industry in England. Moreover, in so far as the leaders of the agitation were actuated by motives of personal dislike to a few of the patentees, or by the inconvenience some of them had sustained from the production of saltpetre, their attitude deserves little sympathy. The whole debate was marked by animus and by a profusion of reckless statements. On the other hand, there were reasonable grounds for objection to the action of the agents of some of the patentees. By means of letters from the Privy Council, exactions, which were quite unauthorized by the grants, were made. The most objectionable feature of these was that they were collected from those tradespeople, who were too poor or too ignorant to defend themselves. As Cecil expressed it "To whom do they repair with these letters? To some out-house, to some desolate widow, to some simple cottage or poor ignorant people who, rather than that they would be troubled and undo themselves by coming hither, will give any thing in reason for these caterpillars' satisfaction¹." Such abuses, in the execution of the patents, were incidental to the irregularities that had grown up in the working of the administration all over. Probably the frauds in the Treasury had occasioned much greater loss to the country, and, in either case, there was nothing that could not have been remedied by the ordinary process of the existing law. Prior to the meeting of Parliament, Elizabeth had shown, by making void a large number of patents, that any malpractices, in the execution of a grant, would lead to the revocation of it. It was unfortunate that, at least in one case, a suit, initiated under the promise of 1597, had been quashed by the direct interposition of the prerogative. In that instance, however, something might be urged in defence of the action of the

¹ D'Ewes, *Journals*, p. 652.

Crown, in so far as there was involved the question of the control of an instrument for gaming, such as playing cards. It is significant that none of the grants impugned could be used to affect the market in commodities of common consumption, in which there were established producers in England. The only possible exception is the case of salt, which was adduced by one speaker, but not included in the list, furnished by the Committee. It would appear that the patent for salt was one, granted in 1599, not for the common commodity, but for what was then a new industry, namely the production of white salt. Strictly speaking, this was only a quasi-monopoly, as the grant confined the privileges, it conferred, to an area on the East coast of England, between Lyme Regis and Kingston-upon-Hull¹.

The immediate effect of the whole agitation was the issue of a proclamation, dated November 28th, 1601, under which several patents, "the execution of which had been extremely abused," were declared void, and the remainder were subjected to trial by common-law². Should any be found bad in themselves, or to have been attended by abuses in execution, it was promised, unconditionally, that all such would be recalled. If, on the other hand, some patents stood this test, these should continue in force, during the respective periods for which they had been granted. Before the series of suits was finished, Elizabeth's reign had come to an end, and James I., on his accession, issued a proclamation, recalling all patents to individuals, which were then in force³. Whatever may have been the motives which occasioned this proclamation, it eventually turned out that James I. had simply disposed of the grants of Elizabeth, to prepare the way for a series of really objectionable ones of his own creation. In the meantime, however, when Parliament met in 1604, it seemed as if all monopolies, except those vested in corporate bodies, had been abolished, and the House of Commons now turned its attention to these. Merchants, who considered themselves aggrieved, were invited to furnish particulars of their complaints, and a committee was formed to initiate legislation. This body spent five whole afternoons in considering the arguments for and against the trading corporations, and, on May 21st, 1604, two bills were introduced, the one "for all merchants to have free liberty of trade, into all countries, as is used in all other nations," and the other "for the enlargement of trade...into foreign countries." These measures

¹ State Papers, Domestic, Elizabeth, cclxxii. [*Docquet*]; *Calendar*, 1598-1601, p. 310.

² Printed in *The English Patents of Monopoly*, by W. Hyde Price, 1906, Appendix J, pp. 156-9.

³ Proclamation dated May 7, 1603, printed in *Price, English Patents of Monopoly*, Appendix L, p. 163.

were supported by Sir Edwin Sandys in a document, entitled “Instructions touching the bill for Free Trade¹.” This paper merits the most careful examination, not only on account of some curiously modern expressions it contains, but still more in view of certain hidden motives, that occasioned several of its conclusions. It consists of three distinct parts—first the reasons for abrogating all privileges in foreign trade, secondly the measures by which this object was to be attained, and finally a series of answers to the claims of the existing companies.

The arguments for a foreign trade, open to all Englishmen, may be best given in Sandys’ own words: “All free subjects are born inheritable as to their land, as also to the free exercise of their industry, in those trades whereto they apply themselves and whereby they are to live. Merchandize, being the chiefest and richest of all other and of greater extent and importance than all the rest, it is against the natural right and liberty of the subjects of England to restrain it into the hands of some few; for, although there may be some 5,000 or 6,000 persons, counting children and prentices, free of the several companies of the merchants, in the whole; yet, apparent it is, that the governors of these companies, by their monopolizing orders, have so handled the matter, as that the mass of the whole trade of the realm is in the hands of some 200 persons at the most, the rest serving for a shew and reaping small benefit.” The next argument quotes “the example of all other nations, generally, in the world, who avoid in themselves and hate in us, this monopolizing way of traffick.” It was further urged that the measures now brought forward would conduce to a more equal division of wealth throughout the country and amongst individuals. In this connection, attention is drawn to the customs returns, which were £110,000 at London and £17,000 in all the rest of England².

The bills aimed at the empowering of anyone, with or without apprenticeship, to engage in foreign trade to the countries which were at that time within the limits reserved to the chartered companies. It was recognized, however, that, since the State did not support ambassadors, there would be some expense involved in organizing the trade and carrying it on. Therefore it was proposed that the companies might continue to exist, and that levies should be made, from time to time, on all those who availed themselves of the facilities obtained. This provision would have had the effect of placing all foreign trade to a

¹ Printed in *Journals of the House of Commons*, i. pp. 218–21. Roger Coke (*A Detection of the Court and State of England*, 1719, i. pp. 57–9) amplifies these “Instructions,” according to his own standpoint.

² In a MS., entitled *A Discourse of Free Trade against Incorporated Societies* (Lib. Trin. Coll., Dublin, 862, G 4, 13 No. 5), the tendency of companies to draw trade to London is noted as a fact “which is most lamentable to consider.”

given country in the hands of a regulated company, to which there would be no restrictions on admission, beyond the payment of a moderate fee. This result was foreseen, and the "Instructions" favour the regulated type of organization, apparently on the unsubstantial ground that, in a sense, a joint-stock was in itself a species of monopoly, as restricting the enterprize of the individual member. At the same time, it was added that individuals might unite in partnership, should they desire to do so.

There is a great temptation to accept this document as an unique example of a noble ideal which appeared almost too early. But, unfortunately, all through the seventeenth century, the most powerful arguments against existing privileges were those of the would-be monopolists. It seems to have been recognized that a man was "playing the game" in condemning in unmeasured language the practice of exclusive trading grants; and then, immediately he had fought his way within the charmed circle, to point out the evils of "disorderly trading," coupled with a petition for a more stringent monopoly. It was so in this case with Sandys. In spite of his maintenance of "the natural right of Englishmen" to trade where and when they pleased, one finds him a few years afterwards in the position of treasurer of the Virginia company, which was certainly not the least exclusive of the trading corporations in the beginning of the seventeenth century. It may be urged that since, as will appear below, these bills did not become law, a man of energy was forced to adapt himself to the prevailing system. This argument might account for his occupying the position of treasurer, but, if he really held the views expressed in the "Instructions," it is impossible to justify his action in relation to the Virginian tobacco monopoly, where he acted exactly in the manner he condemns in the governors of the companies in existence in 1604¹.

Moreover the argumentative portion of the document contains numerous inaccuracies and many distortions of facts. It is not true that England was exceptional in sanctioning privileged trading companies. At Genoa there was a slave-trading undertaking, dating back to 1580. France had its African, its coral, and its Canada companies, established respectively about 1561, 1600 and 1602. All these had monopolies, and those of the French organizations were more exacting than any ever granted in England. Then Holland had built up an East India trade, founded by independent joint-stock companies, which had been amalgamated into the celebrated Dutch East India company².

¹ *Vide infra*, II. pp. 274-6.

² *Les Grandes Compagnies de Commerce*, par Pierre Bonnassieux, Paris, 1892, pp. 43-7, 181, 182, 254, 346, 453; *Geschichtlicher Ueberblick der administrativen, rechtlichen und finanziellen Entwicklung der Niederländisch-Ostindischen Compagnie*, von G. C. Klerk de Reus, The Hague, 1894, p. 2.

Moreover, this consolidation had been caused by the disputes of previous associations, whose agents treated each other "almost as enemies"¹—facts of which Sandys can scarcely have been ignorant—so that the comparative argument is against him, rather than in his favour².

The attempt to show that the existing system favoured London, at the expense of the other ports, is even more misleading. The gravitation of capital to the chief city, as well the geographical situation of London in view of the trend of trade at the time, sufficiently account for its predominance. Besides, it was untrue to suggest that the merchants, who gained by their membership of companies, were all inhabitants of London. The Merchant Adventurers was a national organization, to which the companies at Newcastle, Hull and York were affiliated. It had also ramifications, extending to Lynn, Norwich, Ipswich, Exeter and Southampton³. An Exeter company, incorporated by Elizabeth, had certain exclusive privileges in the French trade and the Senegal adventurers, who received a charter in 1588, were mainly resident in the out-ports⁴. It is difficult to determine how far the joint-stock companies, such as the Russia and East India undertakings, were actually open to persons non-resident in London. An examination of the meagre information, relating to sales of shares during the sixteenth century, tends to show that there was a freer market than might have been anticipated. The great variations in the numbers of members of the Russia company is sufficient to establish this conclusion, and, at the foundation of the East India company, subscriptions of capital were invited, and even canvassed for amongst the merchants of the West Country⁵, while the stock was sold openly to the highest bidder at the same time that commodities were being auctioned⁶. Therefore, whether capitalists outside London availed themselves of their opportunities or not, it was possible for them to enter the joint-stock companies. If any considerable number did so, it is apparent that, although these organizations paid custom in London, the profits might be, and in some instances no doubt were, distributed through the country.

¹ *Histoire de l'Expansion Coloniale des Peuples Européens—Néerlande et Danemark*, par C. de Lannoy et H. V. Linden, Bruxelles, 1911, pp. 39, 41, 44, 75.

² This point was brought out in a petition, presented against the bill for the enlargement of trade, on account of the East India Company—State Papers, Domestic, James I., ccxiv. Addenda.

³ *The Growth of English Industry and Commerce in Modern Times*, by W. Cunningham, Cambridge, 1903, p. 245. Wheeler, the secretary at this time, expressly states that the fellowship brought much wealth to these out-ports—*The Early Chartered Companies*, by G. Cawston and A. H. Keene, London, 1896, p. 28.

⁴ *Vide infra*, II. p. 10.

⁵ *The Dawn of British Trade to the East Indies as recorded in the Court Minutes of the East India Company, 1599-1603*, edited by Henry Stevens, 1886, pp. 53, 54.

⁶ *Vide infra*, II. p. 103.

Then, with regard to the claim of natural liberty of the trade of merchandize, the question is not so much what was most convenient to the mercantile class, but what kind of organization was most advantageous to the country as a whole. Even in civilized countries the sovereign exercised some powers in admitting aliens to trade there; in a semi-civilized State the permission to traffic depended wholly on the caprice of the ruler. Supposing all Englishmen were empowered to enter a country on condition of paying their proportionate share of the expenses involved (such as the charge for an ambassador, for bribes and presents), it would be necessary that there should be some form of organization whereby a trader, who refused to bear his part, might be excluded. Or again, in order to comply with the practices of the foreign country, it would be essential that the heads of the trades should have powers to disfranchise any individual whose conduct was likely to injure the reputation of the whole body; since, in places like Russia or India, the offence of a single Englishman was likely to occasion the suspension of the privileges granted by the sovereign there¹. If these ideas be carried to their logical outcome, one obtains the conception of a regulated company, only slightly less restricted than those condemned in the bills.

It is obvious, too, that the conditions on which Englishmen could enter on foreign trade to most advantage depended to some extent on the nature of the route to those countries, as well as the state of their civilization. The Mediterranean was infested with pirates, and, within a few years, the Dutch had fortified trading stations in India. It was, therefore, necessary that English ships should be heavily armed, and that several should sail together. That this should be so required some form of centralized organization, and it was no great extension of its powers to place some limit either on the number of traders, or on the goods handled, or both, as had been the practice of the regulated companies². Moreover, when the position of the English merchants in a foreign country was so precarious, it was essential that they should present a united front, and this object was best obtained, in the semi-civilized countries, by the joint-stock system.

The promoters of the bills in 1604 expressed themselves in favour of the regulated company, on the ground that it gave more scope, under the modifications proposed, to individual initiative. For this reason, the joint-stocks of the Levant and Russia companies were condemned. The fact appears to have been that, in view of the recent peace, there was a considerable amount of energy and capital ready to be directed towards foreign trade. This idea is expressed by Sandys in the following

¹ This actually happened in India in 1647, *vide infra*, II. pp. 118, 119.

² S. van Brakel, *Die Entwicklung und Organisation der Merchant-Adventurers in Vierteljahrschrift für Social- und Wirtschaftsgeschichte*, v. p. 408.

terms—"What else shall become of gentlemen's younger sons, who cannot live by arms, when there is no wars, and learning preferments are common to all and mean? So that nothing remains for them, save only merchandize (and such is the use of other politick nations), unless they turn serving men which is a poor inheritance¹." Although the bills were introduced in the Commons, as measures tending to make the foreign trade, hitherto restricted, open to all; when they came before the House of Lords on June 30th, it was clearly recognized that they were promoted by a group of merchants, and eight of these were ordered to appear as against the same number on behalf of the companies².

While it appears there is reason to suspect that the promoters of the proposed legislation aimed at forcing open the door of certain foreign trades, with the possibility of closing it again in the faces of those who sought admission after them, it is not to be inferred that the position taken up by the companies was altogether maintainable. To form any estimate of the merits of the case it is necessary to remember the relatively small amount of the commerce where the trade was reserved. With the exception of the Merchant Adventurers, the other companies had, at this time, comparatively small capitals. If a comparison be made with a home industry, such as the Mines Royal (which controlled only a moderate amount of English mining), it will be found that the maximum recorded stock of the Russia, the Levant and East India companies was not more, in each case, than two or three times that of the Mines Royal³. On the whole, contemporary opinion appears to have been justified in regarding a new branch of foreign trade as resembling an invention, and, as such, entitled to a monopoly for a number of years. This claim was admitted in the "Instructions," and a term was suggested, namely that such privileges should not extend beyond the lives of the discoverers⁴. The reasons for a generous measure

¹ *Journals of the House of Commons*, i. p. 219.

² *Journals of the House of Lords*, i. p. 334. The bills had been passed in the Commons, only forty members voting against them. In the House of Lords, after petitions had been deposited, counsel were heard for and against, and afterwards Coke addressed the House. Although he thought the purpose of the bill was good he condemned it, on account of its form and the many inconveniences that would result from it. A conference was arranged for July 5th but, owing to the dissolution of Parliament, no further steps were taken. *Ibid.*, i. pp. 336, 341.

³ In 1600 the whole outlay by the Mines Royal was returned at £27,000. The capital of the Russia company does not appear to have exceeded some £50,000, that of the Levant company is said to have been £80,000 in 1581, while the stock of the East India company from 1600-3 was £68,373.

⁴ *Journals of the House of Commons*, i. p. 221. It is worth noticing however that, although the East India company had only been in existence three years, it also was included amongst those which it was recommended should be carried on without a monopoly.

of encouragement are obvious. New foreign trades were opened often at great personal risk, and there was almost invariably an expenditure of capital, without any immediate return. It therefore was reasonable that the first adventurers should be given a number of years of exclusive trade, in which they should have a chance of obtaining the reward for their risk. From the point of view of the encouragement of capital, the period of such concessions would therefore be fixed at about a generation; since, if the original adventurers had not recouped themselves in that time, there would be every reason to doubt either the value of their "discovery," or else their capacity to manage it. From the point of view of the nation as a whole, there might be other considerations which would justify the prolongation of the monopoly. The State was not sufficiently well organized to protect English merchants in foreign countries, and therefore, in the more disturbed places, or in those to which the route was dangerous, the traders were compelled to protect themselves. Thus until the home-government was powerful enough to guard the interests of its commerce abroad, some kind of company with large powers was required. Therefore, in spite of the short-sightedness of some of the companies, it seems probable that English foreign trade was, on the whole, less unstable in a disturbed foreign country under a company with a monopoly than when open. There were two striking instances of this just at this time. The Levant company had originally been conducted on a joint-stock basis¹. It had, amongst other privileges, the monopoly of importing currants, subject to the payment of a very heavy tax to the Crown. The joint-effect of the monopoly and the tax was to make currants dear; and, towards the end of the sixteenth century, the trade was made open. Within a few years the position of the merchants became so precarious that it was necessary to re-establish the company as a regulated one with a moderate fee for admission. It was not long before the management, by confining membership to "legitimate" merchants (*i.e.* those who had served an apprenticeship in the Turkey trade), made entrance more difficult than it had been before. Then there was the case of the Spanish trade, which had been under an embargo during the war. A company was founded with a monopoly for this trade, apparently with the object of affording the merchants protection. Naturally such a monopoly was subject to many objections, for there could be no claim that commerce with Spain was a new discovery. What should have been done was the securing of the rights of English merchants under the treaty of peace, and then for the government in England to have seen that these were observed. Instead of adopting this course, a company with a monopoly was created, which

¹ In Sandys' "Instructions" it is stated that the joint-stock was unsuccessful, but there are grounds for holding a contrary opinion, *vide infra*, II. p. 85.

was dissolved by act of Parliament in 1606. Within a few years, English traders with Spain were involved in endless difficulties, through seizures of their persons and goods at the instance of the Inquisition¹. A case of this kind, so near home, shows the need of protecting the merchant, and, when the State was unable to perform this function, delegation of some of its powers to a trading corporation appears to have been inevitable.

The great abuse in the monopolies for foreign trade consisted, not so much in the existence of the monopoly as such, but in the supervision of it being exercised in a wrong direction by the State. The effect of the delegation of certain powers to a body of capitalists with reference to a given area, involved a large privilege, in return for which the State was entitled to exact benefits from those who obtained that privilege. This limitation of the monopoly took the form of the exaction from the company of the maximum gain to the Crown, either in furnishing loans, or guaranteeing the credit of the sovereign, or again in making high customs payments. Therefore the tendency was to increase the price of the commodities imported, irrespective of the influence of the monopoly. Thus much of the dissatisfaction against the high prices, charged by some of the companies, was occasioned by the tax imposed on them by the government. For instance, Sandys complained that the Russia company, by arranging not to import cordage for three years, had advanced the price by 50 per cent.² What appears to have happened was that the whole working capital of the company was locked up in a debt, due to it by the Navy, which remained unpaid for a number of years, and therefore the company was without funds to trade to any considerable extent³. Instead of taking the last penny possible from the companies by the methods mentioned, the administration would have been better advised to have controlled the monopoly, by making it a condition that a limit should be imposed on the prices, at which the imported commodities should be sold. So many measures received the sanction of Parliament for checking the possibilities of privileged bodies charging monopoly-prices in the home trade, that it is remarkable that the same plan was not applied to foreign commerce. Probably the reason of the omission was that the position of monopolies was always debated in the House of Commons under great pressure, and that the attacks were made by the mercantile class, whose object was rather to keep up than to reduce prices⁴.

¹ *Relations of the Crown to Trade under James I.*, by F. Hermia Durham in *Transactions of the Royal Historical Society*, New Series, XIII. pp. 205, 206.

² *Journals of the House of Commons*, I. p. 220.

³ *Vide infra*, II. p. 50.

⁴ It is interesting to notice traces of this tendency in Sandys' "Instructions"—

It is true that, in most of the Elizabethan charters, there was a revocation clause; but, in the circumstances indicated, this gave little protection to the consumer. As long as a company was "profitable to the Crown" it was not likely that its charter would be revoked. In fact the outcome of the situation involved the taxing of the consumer, mainly for the benefit of the Crown, while the company bore the odium of the resulting high prices.

In respect to the nature of its privileges, the Russia company occupied a somewhat unique position, since its charter was without a revocation clause, and it had an act of Parliament confirming its monopoly¹. For some reason, Sandys' report is specially hostile to this undertaking, which is described as a "strong and shameful monopoly." In its petition against the bill, the company laid special stress on the fact that it had secured parliamentary sanction, and that it had in effect discovered three new trades—first the trade to Russia proper, then to Persia and lastly the whaling industry which as yet was not developed². To this the Committee of the Commons replied that the company should have reaped sufficient profit, or if it had not, the management was to be blamed. No notice is taken of the fact that whaling was new, or that the present company had purchased the rights of its predecessors³. Thus the members could show that, in the half century since the foundation, three new branches of commerce had been opened; and that, so far, the company had justified the privileges it enjoyed. These matters introduce several points of difficulty in deciding what would have been the most equitable solution in 1604, in view of the hostility towards the immunities vested in this body. First of all, the claim of the company, that it was in difficulties and had not been able to recover the capital outlay on its discoveries, may be dismissed. Although the fate of the first joint-stock is uncertain, there is every reason to believe that the second made very large profits. Hence, on the ground advanced, there was no reason to prolong the monopoly of the original trade to Russia. The discovery of whaling grounds, at this time, stood on a different footing, since, as yet, small, if any, benefits had been reaped from it. Therefore, in 1604, the company was entitled to a guarded monopoly for a term of years for whaling. Whether the monopoly of the Russian trade should have been continued or not depends upon several considerations. It was necessary to send heavily armed ships, which enterprize required a

"There is no greater [?error] than that, if trade be made free, our commodities will abate their price abroad."

¹ *Vide infra*, II. pp. 37-42.

² State Papers, Domestic, James I., VIII. 59; *Calendar*, 1603-10, p. 117.

³ *Vide infra*, II. p. 48.

powerful organization. Russia was scarcely sufficiently civilized to enable English merchants to trade there without stronger protection than could be given either by the government or by a regulated company. For these reasons, it might be concluded that, in spite of the unprogressive way in which the monopoly had been exercised from 1595 to 1605, there was no greater disadvantage in continuing it than in opening the trade. On the other hand, it was asserted by Sandys that Englishmen, who were not members of the company, traded with Russia through Holland, but here again it would appear that there is a certain *suggestio falsi* since such trade or that at Narva, carried on by interlopers, was on a very small scale; thus it is related that at the latter place sales of cloth of this kind were only made by men who "peddled" it through the streets¹. If, however, Sandys' statements be accepted, it would follow that an English monopolistic organization was no longer necessary. Had this conclusion been adopted, and the company were continued with a monopoly for a certain time for whaling, while the Russian trade was made open, something remains to be said in favour of the shareholders in 1604. Unlike other charters, that which they had bought from the previous company had no revocation clause, and it was confirmed by an act of Parliament. In view of the discoveries made and the assistance given the government in various ways, there were no special reasons why the incorporation should be revoked. Therefore, on the supposition that merchants could trade safely to Russia, it would appear equitable that the existing shareholders should have received some moderate compensation for surrendering their monopoly of the Russian trade.

¹ *A Treatise of Commerce, wherein is showed the Commodities arising by a well-ordered and ruled Trade*, by John Wheeler, Middleburg, 1601, p. 74. Even if Wheeler exaggerated, the foundation of the Dutch Russia Company a few years later made any English trade through Holland to Russia very precarious—Van Brakel, *Hollandsche Handelscompagnieën*, pp. 22, 23.

CHAPTER VII.

BRITISH COMMERCE AND FINANCE FROM THE PEACE OF 1604 TO THE CRISIS OF 1620.

THE first years of the seventeenth century found England suffering from loss of trade and high taxation. It is impossible to determine whether the cost of the struggle with Spain, on the whole, had checked the increase of the national wealth. It is estimated that the aggregate property of the country in 1600 cannot have exceeded 100 millions¹. This sum, though apparently small, certainly represents a great increase on the total fifty years before.

The period of depression, which had lasted since the crisis of 1586, began to pass away after the outbreak of plague in 1603 was over, and signs of revival first show themselves in 1604. It is true that the foundation of the East India company in 1600 is to be regarded rather as an outlet for capital diverted from the Levant trade than as an actual gain in the opening up of an additional branch of commerce², while the expedition, organized by Raleigh and Southampton to America in 1602, although successful to a limited extent, was only experimental³. The succession of James I. was accepted as an omen of better relations between England and Scotland, and the conclusion of peace with Spain prepared the way for a period of recuperation and development. The last traces of the depression, which had continued for about seventeen years, are to be found in the final payments of the subsidy of 1602-5 and the efforts of Parliament in 1604 to make sweeping changes in the organization of foreign trade. If the reasoning in the previous chapter be sound, this was an early instance of those popular remedies for trade depression, which are often erroneous and almost always too drastic⁴.

The year 1604 is a turning point; on the one side of which there were seventeen years on the whole bad, and on the other there was a

¹ *The Growth of Capital*, by Robert Giffen, London, 1889, pp. 83, 110.

² *Vide infra*, II. pp. 87, 88, 91, 92.

³ *Ibid.*, II. p. 246.

⁴ *Vide supra*, pp. 120, 121.

period of about the same length, which was good on the whole. During the latter interval British commerce made rapid progress. The opening of markets, closed by the war, was in itself an important element towards the restoration of prosperity. It was soon noticed that wealth was being accumulated, and it was declared that "the nation was far richer than in all the long reign of Queen Elizabeth¹." There was both an increase in the standard of living and in the population; thus a contemporary writer points to "the superfluity and increase of these our times, of this our kingdom that hath more people than pasture²." The same tale of industrial progress is told, with more precision, by the income, returned by the Exchequer as derived from Customs. Comparing the five years ending with the plague of 1603 with the same period up to 1615-16, the average annual receipts show an increase of 35 per cent.³ Such expansion of trade is attributable in part to the recovery of European markets, but allowance must also be made for the prosecution of new enterprizes, which had not been adventured during the war.

The East India trade was beginning to yield large profits; and although, after the amalgamation of the independent Dutch undertakings into one powerful company in 1602, there was a concealed menace to the progress of the British organization, it required time for this danger to manifest itself⁴. The Russia company was successful in its whaling voyages up to 1615⁵, and in 1618 the trade to Africa was re-opened⁶. Not only were former markets recovered, but real progress was made with the colonization of America. There were the two Virginia companies incorporated in 1606, the settlement of the Bermudas in 1611, the attempts to occupy Guiana, first by Raleigh and again in 1619 by a company⁷. Then came the formation of the New England company in 1620 and the beginning of the New Scotland or Nova Scotia venture in the following year⁸. The same spirit of enterprize manifested itself, not only abroad, but also at home. The settlement of a large tract of land in Ireland was undertaken in 1609

¹ *A Detection of the Court and State of England*, by Roger Coke, 1719, I. p. 94.

² *A Discourse of Marriage and Wiving*, 1615, in *Harleian Miscellany* (1746), II. p. 152.

³ *Vide infra*, III. p. 521; Gardiner, *History 1603-16* (1863), II. p. 415. These periods are comparable, as the "new impositions" are not included in the second five years. The increase would be larger if 1610-11 had been substituted for 1615-16, as, owing to the disturbance of the cloth trade in that year, the Customs were greatly reduced.

⁴ *Vide infra*, II. pp. 93-101.

⁵ *Ibid.*, II. p. 53.

⁶ *Ibid.*, II. p. 11.

⁷ *Ibid.*, II. pp. 245-7, 252, 259-66, 299, 300, 323-5.

⁸ *Ibid.*, II. pp. 301-6, 318, 319.

by the body known later as the Irish society; and, about the same time, efforts were being made to recover lands by drainage¹. Then the improving of the water-supply of London, by the introduction of spring-water, as distinguished from that hitherto provided by pumping engines from the Thames, was begun and brought to a successful conclusion². It also seems to be within this period that large quantities of silver were discovered in Wales by a subsidiary company of the Mines Royal society³.

It is perhaps a little surprising that in the home trade there were comparatively few inventions, in the narrower sense of the word—that is discoveries of new processes, as distinguished from the introduction of a method previously adopted abroad or from the misleading descriptions provided by petitioners for monopolies. The chief direction, in which invention showed itself, was the effort to devise furnaces for the substitution of coal for wood in several industries⁴. The reason for the relative absence of invention in this period, as compared with the earlier part of the reign of Elizabeth, appears to have been partly that there were numerous advantageous openings for capital in foreign trade, and partly that men of an ingenious turn of mind could utilize their abilities more profitably in devising projects for obtaining grants for other than industrial objects, such as, for instance, “the Danvers”⁵, “the Green-Wax”⁶ and “Jurors” patents⁷.

During the reign of Elizabeth the development of enterprizes requiring capital had been largely conditioned by the state of foreign politics. In the succeeding seventeen years the effects of peace abroad were modified to some extent by the personal character of James I. and by the financial situation. It is difficult to touch on this subject without trenching on the sphere of the historian of the British constitution, since the views, held by James I. on his prerogative, were manifested as much in the industrial world as in any other. Perhaps the most concise manner of summing up a character which, while not more contradictory than that of most men, appears unstable and vacillating to a remarkable degree, would be to describe it as one that possessed the intellectual qualities developed in certain directions to a high degree, while the practical activities were lamentably deficient. In many respects James I. was more clear-sighted than his ministers,

¹ *Vide infra*, II. pp. 338, 339, 353.

² *Ibid.*, III. pp. 18-20.

³ *Ibid.*, II. p. 401.

⁴ *Ibid.*, II. pp. 463, 464.

⁵ Three-quarters of the benefit of fines and forfeitures above £2,800 a year.

⁶ Granted to Sir Roger Aston for fines and forfeitures, known under the name of “green-wax, in the Duchy of Lancaster.”

⁷ Granted to Sir Henry Bronker for the collection of “the fines of Jurors not appearing in England”—*Journals of the House of Commons*, I. p. 316.

and it sometimes happened that his views were exceptionally enlightened. His policy of peace was one which both England and Scotland needed, and his advocacy of the Union was characterized by a statesman-like outlook. Speaking of the latter in 1607 he described it, from the point of view of the advantage of England, as follows—"Who is so ignorant that doth not know the gaine will bee great? Doe you not gaine by the union of Wales? And is not Scotland greater than Wales? Shall not your dominions be encreased, of landes, seas and persons added to your greatnesse? And are not your landes and seas adjoining? For who shall set downe the limits of your borders but as a mathematicall line or idæa? Then will that backe doore be shut and those portes of Janus bee for ever closed. You shall have them, that were your enemies to molest you, a sure backe to defend you; their bodies shall be your aides and they must be partners in all your quarrels¹." In the same speech, a reply was made to the objection—that a commercial union would involve a loss of trade to some towns or individuals—which was more broad-minded than the standpoint of the House of Commons. "It may be," said James, "that a merchant or two of Bristow or Yarmouth may have a hundred pounds lesse in his packe, but if the Empire gaine and become the greater, it is no matter²." On the blessings of peace, James dilated almost with eloquence—"Denmark and Suevia; Suevia and Poland; Cleves and Brandenburg; have not these and many more come to this oracle of peace and received their dooms from it? If the members of a natural body by concord assist one another; if the politic members of a kingdom help one another and by it support itself; why shall not the monarchical bodies of many kingdoms be one mutual Christendom; if still they sing this blessed lesson taught them—*Beati Pacifici*." With special reference to trade, James had sometimes ideas of considerable brilliancy. He occasionally had the foresight to select the more promising of the schemes of his day and to be desirous of taking a share in the risk. Thus he was not only willing but anxious to become an adventurer in the East India company⁴, and his connection with the inception of the New River company affected the capital account of that undertaking for nearly three hundred years⁵. Even granting that it was Salisbury⁶,

¹ *Journals of the House of Commons*, i. p. 363; *His Majesties Speech...the last Day of March 1607*, in Somers' *Tracts* (1750), v. p. 170.

² *His Majesties Speech...the last day of March 1607*, in Somers' *Tracts* (1750), v. p. 166; *Journals of the House of Commons*, i. p. 361.

³ *The Peacemaker*, quoted by Gardiner, *History 1603-42* (1893), iii. p. 183.

⁴ *Vide infra*, ii. p. 108.

⁵ *Ibid.*, iii. pp. 20, 21.

⁶ The son of Lord Burghley, who, as Sir Robert Cecil, was a member of the later Parliaments of Elizabeth, *vide supra*, pp. 114, 118.

who first introduced this scheme to the notice of James I.¹, the interest which he showed in the progress of the work is sufficient evidence that he was able to recognize the possibilities of considerable profits being made. Then in his efforts to start the silk and dyeing industries in England, as well as in the idea of encouraging fishing in Scotland², he showed at least a real interest in the development of the countries under his rule.

While James I. had such moments of insight, he was altogether deficient in the more prosaic practical qualities. He was remarkably tactless and devoid of the faculty of recognizing the most efficient ministers to carry on the government. According to his theory of his own position in the State, he should have been exceptionally industrious in supervising the details of the administration, yet adequate supervision was wanting during his reign. Similarly, with regard to the Crown finances he expressed the most unimpeachable sentiments—as for instance when he told the members of both Houses of Parliament in 1604 “if the meanes of the Crowne bee wasted, I am behoved then to have recourse to you, my subjects, and bee burdensome to you, which I would be loathest to be of any King alive³”—yet in actual practice he permitted great waste of the Crown Revenues. Probably, in succeeding to the English throne, he may have believed that the income was inexhaustible, but it is certain that the revenue failed to pay the outgoings. Thus James I. was periodically pressed for money, and this was one of the reasons of his difficulties with Parliament. Besides, the various attempts, that were made to keep the rapidly increasing Crown debt within some reasonable dimensions, resulted in numerous interferences with commerce which occasioned great dissatisfaction in England. Therefore, the situation resolved itself into the paradox that, while James I. saw clearly the advantage of a less restricted traffic between England and Scotland, few sovereigns have restricted and disorganized trade more than he did, by the numerous and ill-considered burdens he laid upon it.

The state of the finances being such an important element in the history of the time, it is necessary to form some estimate of the normal revenue and expenditure, when the country was at peace. At the beginning of the reign of James I., once the liabilities incurred during the war had been discharged, it should have been possible for him to

¹ *An Apology for the late Lord Treasurer* by Sir Walter Cope in *Collectanea Curiosa*, i. p. 125; *Aulicus Coquinariae* in *The Secret History of James the First*, i. p. 153.

² *Vide infra*, ii. pp. 55, 104, 361.

³ *The Kings Majesties Speech as it was delivered...the 19 day of March, 1603*, in *Somers' Tracts*, v. p. 155.

have paid his way out of the Ordinary Revenue, which had yielded a considerable surplus over the Ordinary Expenditure in the time of Elizabeth. Mr Gardiner formed the following estimates of the resources available for James I., on the basis of the Ordinary Revenue and Expenditure during the first five years of his reign:

Ordinary Revenue	...	...	...	...	£247,000
„ Expenditure ¹	...	...	...	...	290,700
Deficit	...	...	...	...	£43,700

This calculation, it seems to me, tends to over-estimate the necessary Ordinary Expenditure while conversely it under-estimates the Revenue available to meet it. If, at the end of the reign of Elizabeth, there was a surplus of about £90,000 on the ordinary account, an explanation is needed to show how it became unavoidably converted into a deficit of over £40,000 within the next five years. The discrepancy is partly explained by the nature of the documents, on which Mr Gardiner's estimate of the Ordinary Revenue is based. These were the actual receipts recorded at the Exchequer; and, even after adding the income of the Duchy of Lancaster and the Court of Wards, some other small branches have still to be included. Another account gives the whole annual nett Ordinary Revenue during the last five years of the reign of Elizabeth at £326,066². But it has been explained elsewhere³ that, owing to the strain on the finances at this time, great efforts had been made to augment the Ordinary Revenue. Moreover large sales of Crown lands had been effected, with the result that for some years a decrease in rents might be expected⁴. On the other hand, after a few years of peace, an advance in Customs might be anticipated⁵. Since, however, the latter would not be immediately available, such increase may be neglected for the present, and it may be estimated that, at the beginning of the reign, the nett Ordinary Revenue would be £25,000 a year less than it had been from 1598 to 1603, that is in other words, on an average, James I. and his financial advisers could count on £300,000 a year, apart from any further income from extraordinary sources. This would have balanced the estimate of the Ordinary Expenditure made by Mr Gardiner. But, if the calculation of the

¹ *Parliamentary Debates in 1610*, edited, from the Notes of a Member of the House of Commons, by S. R. Gardiner (Camden Soc. 1862), p. x.

² *Vide infra*, III. p. 517.

³ *Ibid.*, III. pp. 507, 508.

⁴ From 1590 to 1593, the amount returned by the Receivers General had averaged £68,000 a year. From 1599 to 1603 it was £10,000 less. In 1603–4 it was only £50,000, rising in 1605 to 1607 to £58,000—*vide infra*, III. pp. 520, 521; Gardiner, *History 1603–16* (1863), II. pp. 414, 415.

⁵ At the end of the Treasurership of Salisbury the income had increased from £86,000 to £125,000, cf. Coke, *Apology for the Late Lord Treasurer*, p. 124.

similar outlay from 1598 to 1603, which places it at £225,000 on an average, is correct, it is clear that the increase of £65,000 is too great. Much has been written of the desire of Elizabeth for personal adornment and the extent and variety of her costumes, but it is a little astonishing to find the accession of a male sovereign urged as a plea for an increased allocation to “the Wardrobe¹.” Necessarily it cannot be forgotten that James I. had a family, and that therefore the expenses of the sovereign would be somewhat increased. Still, after allowance is made for this and for the maintaining of the Court in a somewhat more lavish style, if the Ordinary Expenditure from 1598 to 1603 were increased by £25,000 or £35,000 (bringing it up to £250,000 or £260,000 a year), a sufficient sum would be provided for all suitable expenditure on the ordinary account. This is from £30,000 to £40,000 a year less than the estimate of Mr Gardiner; but, while basing the expenses of the home government on those during the last five years of the reign of Elizabeth, he allows James I. £20,000 more than had been paid from 1598 to 1603. Even taking account of expenses, continuing in Ireland after the rebellion there had come to an end, the allowance for this charge and for the Navy might be reduced by £15,000, making for the two £75,000, which was still almost double what had been granted on the ordinary account towards the end of the reign of Elizabeth. Further, the estimate for the expenses of the Court and for ambassadors exceeds that from 1598 to 1603 by £5,000 a year. These deductions from Mr Gardiner’s estimate together come to £40,000 a year, making it, as revised, £250,000. Thus it may be calculated that the Ordinary Revenue would produce at least £300,000, while the Ordinary Expenditure should not have exceeded £260,000, leaving a surplus of about £40,000, and in all probability this surplus could have been considerably augmented, with care in the supervising of the Revenue and economy in the Expenditure:

Estimate of the Ordinary Revenue and Expenditure.

1598–1603	... ..	£325,000	
Deduct (owing to sale of land &c.)		25,000	£300,000
Expenditure 1598–1603	... ..	225,000	
Add for further expenses of the Court		35,000	260,000
Surplus	... ..		£40,000

It remains to enquire what was the extent of the liabilities, classed as extraordinaries, that were left by Elizabeth. After crediting her with the portion of the subsidies voted, but not paid, at the date of her death (and which had been ear-marked to pay for certain war-expenditure) the gross debt of £400,000 at the accession of James I.

¹ Gardiner, *Debates in 1610, ut supra*, p. xi.

would be reduced to £100,000¹. In addition to this, there was the expense of restoring the Irish coinage, which was an operation similar to the payment of a further debt. This cost £96,076². The funeral of Elizabeth, the coronation expenses of James I. and special embassies may have required £100,000, making, in round numbers, £300,000 to be found. The whole of this sum was provided by a part of the Parliamentary grant of six-tenths and six-fifteenths in 1606³, leaving the estimated surplus of the Ordinary Revenue, available, with the remainder of the subsidy, to answer any exceptional and unforeseen outlay, such as the addition to the ordinary charge which was discovered to be needed for Ireland. Further, at the accession of James I., the Crown had other important assets. There were considerable sums, due to Elizabeth in England, and, necessarily, the Extraordinary Revenue would be increased by as much of these as could be collected. Then again, according to the treaty with Holland in 1598, the States had bound themselves to repay the money, spent on the English expeditions, at the rate of £100,000 a year as long as the war with Spain continued. After the declaration of peace, the whole debt of £2,000,000 was to be discharged, or interest was to be paid thereon at the rate of 10 per cent.⁴ Probably it would have been impossible for anyone to estimate in 1603, how much this debt or that of Henry of France would realize, but it is clear that, even allowing for the expense of garrisons in the cautionary towns, this was an asset of great potential value.

Summing up the whole financial position at the accession of James I., it is clear that he succeeded to an Ordinary Revenue, which would have been sufficient for the needs of a prudent sovereign, and the extraordinary expenses were provided for. But, in these estimates, it is assumed that the disbursements would have been made with economy. Had this been so, and granting a continuance of peace, the resources of the Crown would have sufficed. As it was, there was laxity of supervision in the administration and prodigality in the Royal Household. Besides there was the temptation, which proved irresistible to James I., to reward his favourites lavishly. Therefore, during the first years of his reign which were eminently critical from the financial

¹ *Vide infra*, III. p. 509.

² Gardiner, *History 1603-18* (1863), II. pp. 417, 418.

³ The subsidy of the laity only yielded the following sums:

First payment 2/10 and 2/15	...	...	£123,894
Second " " " "	...	...	£112,279.

State Papers, Domestic, James I., xxxvii. 38.

⁴ *A Detection of the Court and State of England*, by Roger Coke, London, 1719, I. p. 56.

point of view, the deficiency became greater and greater, so that by 1606 the Crown debt was £735,280¹—made up of the £400,000 “Queen’s debt” already analyzed and £335,000 contracted by James I. The greater part of this had been borrowed on Privy Seals, and there was in addition a loan of £60,000, raised in London². It was not only a matter for regret that James I. had contrived to incur, in three years of peace, a debt greater than had been contracted by Elizabeth in war, but he had rewarded his courtiers in various ways, without actually granting them money, which proved very burdensome to the country. In addition, some taxes had been imposed, without the consent of Parliament. It was the object of the House of Commons to induce the King to remove some of the more objectionable grants; and, at the same time, Parliament was prepared to vote a sufficient supply to reduce the Crown debt. Altogether about twenty recent patents were discussed. Two of these were industrial monopolies. Of this class, there were the patent for a new dye, made by mixing log-wood with other substances (from which the Crown was to receive £500 a year), and a new method of starch-making³. Then the saltpetre question was again brought under the notice of the House, and a license to export iron ordnance, as well as the Royal pre-emption of tin, were included in the list of grievances. There was also a patent to sell certain wines, at an advance on the prices fixed by law. Probably, if these grants had stood alone, they would not have excited the criticism of Parliament. The tax on currants had been imposed to make good the loss to the revenue, occasioned by the withdrawal of the payment, made by the Levant company, on account of the monopoly it had resigned under pressure some years before. The saltpetre and ordnance grants came under the category of the provision of munitions of war. There remain only the log-wood⁴ and the starch monopolies. Since in the same Session, Parliament confirmed the monopolies, previously granted by charter to the Merchant Adventurers of Exeter (for the monopoly of trade with France to the exclusion of “ignorant artificers who, in that city, took upon them to use the science, art and mystery of merchandize”) and to the gild merchant of Southampton, it is to be concluded that the objection was not to these monopolies, as such, but to their origin,

¹ State Papers, Domestic, James I., xix. 45; *Calendar*, 1603-10, p. 300.

² *Ibid.*, viii. 108, 118; x. 45; xvii. 86; *Calendar*, 1603-10, pp. 133, 136, 276; Maitland, *History of London*, pp. 284, 290.

³ *A Record of some worthie Proceedings: in the Honourable, Wise and Faithfull House of Commons in...1611*, in Somers’ *Tracts* (1752), xiii. pp. 284, 285; Coll. Proclamations, Soc. Antiq., James I., Aug. 23, 1607, Jan. 10, 1609/10.

⁴ The Earl of Dunbar received £2,000 on the surrender of this patent—State Papers, Domestic, James I., xxxv. 22.

the recipients of them and the manner in which they were exercised¹. The remainder of the patents introduced the objectionable principle of delegating some of the administrative functions of the home government to individuals, in order that the patentees might be provided for. The grant to Lord Danvers of the proceeds of fines, forfeitures &c. was based on the principle that those, receiving it, should pay £2,800 a year—that being the average amount previously realized—while they retained any increase. The obvious tendency of patents of such a kind would be towards miscarriages of justice, through the desire of the grantees to obtain as large a surplus as possible, above the specified amount which was to be paid to the Crown. When this concession was recalled, with others of a similar nature, James I. compensated the patentees by promising them annuities of £1,100 a year². Another grant of a somewhat similar character was that to the Duke of Lennox for sealing New Draperies. This had been intended to improve the quality of certain fabrics, by sealing those that attained to a specified standard. But, while the agents of Lennox acted according to the terms of the patent, the income would be confined to the modest fees derived from the service they rendered. It was not long before further sums were exacted, and, what was still more reprehensible, seals were openly sold, so that the presence of the official mark was no longer any guarantee of excellence of manufacture³.

James I. was induced to recall or modify the patents, complained of by Parliament, through a considerable supply having been granted to him. This subsidy consisted of six-fifteenths and six-tenths, payable from 1607 to 1610⁴. When Salisbury became Treasurer in May 1608, he had to deal with an accumulated Crown debt which, for the times, was enormous. It amounted to about a million⁵. The expenditure was close on £600,000, that is more than the average Elizabeth had required, when the country was at war; and, even allowing for necessary additions to the expenses of the Crown owing to the princes and princesses having grown up, this was double what was necessary. Moreover, the expenditure continued to grow at an alarming rate; the year 1607-8 showing an increase of about 40 per cent. on the average from 1603 to 1608⁶. Under these circumstances, the growth of

¹ Anderson, *Annals of Commerce*, II. p. 305.

² *Journals of the House of Commons*, I. pp. 205, 297, 298, 303, 316, 317, 318.

³ *The English Patents of Monopoly*, by W. Hyde Price, pp. 27, 28.

⁴ *Statutes*, IV. p. 1108.

⁵ State Papers, Domestic, James I., LII. 6; *Parliamentary Debates in 1610*, *ut supra*, p. xv; Gardiner, *History* (1889), II. p. 13; Montague, *History of England*, 1603-60, p. 37.

⁶ State Papers, Domestic, James I., xxxv. 29, summarized by Gardiner, *History*, 1603-16 (1863), p. 408.

the revenue, remarkable as it was, still left an annual deficit. During the first five years of the reign of James I. the total receipts, both ordinary and extraordinary, were £2,183,244. 8s. 0½d., as compared with £2,612,137. 6s. 3½d. from 1698 to 1603, when the supplies granted by Parliament were larger owing to the war¹.

Finding that it was hopeless to attempt any considerable diminution in the expenditure, Salisbury devoted himself to a reduction of the debt and to increasing the revenue. By Michaelmas 1608, the debt had grown to £1,400,000. During the next two years the deficits of that time were met, and this debt was reduced to £300,000 by means of the following payments:

The subsidy of 1607-10 realized	...	...	£450,000
Sales of lands and mills	...	...	400,000
Copy-holders, freed-woods and assarts	...	...	100,000
Old debts to the Crown	...	...	200,000
Total repaid	...	...	£1,150,000 ²

The increase in the revenue was accomplished by a more careful administration of the Crown property and also by the creation of a system of additional taxation on commodities. These new duties were estimated to produce £70,000, and they represented an increase of between thirty and forty per cent. on the existing Customs³. So great an addition to indirect taxation meant a heavy burden on trade and on the tax-payer. The subsidy was as great as those levied from 1592 to 1598; and, on this, the increased duties were superimposed. Besides the collection of the other sums, on account of old debts, fines &c., meant a further drain on the floating capital of the country. That so great an unproductive expenditure was borne with comparative ease is a remarkable testimony to the advance in prosperity, that had been made since the restoration of peace. The fact that interest at this time was 10 per cent. shows partly the activity of trade and partly the effect of the diversion of capital from industry towards supplying the royal necessities⁴.

When Parliament met in 1610, the new impositions at once were brought under its notice, in addition to other interferences with trade, which had been adopted, either with a view to increase the revenue, or to reward favoured persons. The duties on coals from Newcastle⁵ were

¹ State Papers, Domestic, James I., xxxv. 29.

² *Parliamentary Debates in 1610, ut supra*, p. 6. ³ *Ibid.*, pp. xviii, xix.

⁴ Court Book of the East India company, II., Feb. 16, 1608, May 23, 1609.

⁵ The basis of this tax was the charters to the town of Newcastle. In addition to this certain charges were levied in London which James I. promised should be removed—*England's Grievance discovered in relation to the Coal Trade*, by Ralph Gardner, North Shields, 1849, pp. 31-69; *The Parliamentary or Constitutional History of England*, London, 1751, v. p. 240.

complained of as "a bad grievance," and attention was again drawn to the taxes on currants, wines and hides¹. Another tax, which had taken a new form, was that on pepper. The East India company in 1609 had obtained the monopoly of importing pepper. The duty was to be 6*d.* per lb., while the company was bound not to charge more than 2*s.* 6*d.* per lb.² It was felt that it was necessary to concentrate the attention of the House, to prevent grievances "being preferred like *pasquils*," and criticism was directed to the imposition of duties by the King, irrespective of the consent of Parliament. The speeches, delivered on both sides, bring to light the opposition between the Court and the popular party, and mark at the same time the beginning of the constitutional struggle. This difficulty was only one of several, arising out of different interpretations of the prerogative, and occasioned by the extravagance of the expenditure⁴. Parliament was dissatisfied, and it adjourned, having granted the minimum subsidy of only one-tenth and one-fifteenth⁵.

After the dissolution, the financial situation presented many difficulties. Although the debt had been reduced in 1610, the supply was far from sufficient to meet the deficit; and there was, in addition, the expense in Ireland due to the rebellion of O'Dogharty in 1608. By 1612 the Crown debt had grown to £500,000⁶, and all kinds of projects were introduced "to improve" the revenue. A notable instance of these ingenious, if not very reputable, devices was the creation of Baronets. This scheme realized, up to March 25th, 1614, £90,885⁷. Many other proposals were considered, most of which promised either half the profit or a substantial money payment, annually, to the Crown. It is this class of project that is satirized by Richard Brome in *The Court Beggar*:

2 P. Next for the performance of our undertakings.

3 P. And then the certainty of the propounded profits,
Both to the king and us.

It frequently happened that the authorization of these projects gave James I. an opportunity of rewarding persons about the Court, either

¹ *Journals of the House of Commons*, i. pp. 416, 436.

² Court Book, ii., Oct. 27, 1609; State Papers, Proclamations, James I., CLXXVII. No. 13; *Journals of the House of Commons*, i. p. 419.

³ *Journals of the House of Commons*, i. p. 415.

⁴ The whole question is fully discussed by Gardiner, *History* (1889), ii. pp. 75-83.

⁵ *Statutes*, iv. p. 1187.

⁶ *Parliamentary Debates* in 1610, pp. 163-79.

⁷ Gardiner, *History* (1889), ii. p. 112; *An Abstract or Brief Declaration of the present State of his Majesties Renewal, with the Assignations and Defalcations upon the Same*, 1651, p. 11.

by re-granting the sum reserved to the Crown or else through the propounder having agreed to pay some favoured intermediary a large sum on obtaining his grant. The result was that, when Parliament met in 1614, it was reported that, "as a garden, clean weeded, weeds next year," so since 1611 a fresh crop of objectionable grants had sprung up¹. The patent for glass was characterized as a "pregnant monopoly" and there was a likelihood of another for iron, while there were fears that the same system would be extended to glass and all other trades, which would be "like taking away the mill-stone from the poor²."

The growth of projects, for the improving of the revenue, was accompanied by many ideas for new processes of production—the latter being occasioned by the great activity of trade, which reached its culminating point from 1613 to the beginning of 1615. Everywhere, except in the royal exchequer, money was plentiful³. The rate of interest for loans on the best security, which had been 10 per cent. since the beginning of the seventeenth century, fell to 9 per cent. in 1614; and, for a short time in the following year, the East India company was able to borrow at 8 per cent.⁴ Most of the companies, which had been founded on the declaration of peace, had begun to realize some of the expectations of the promoters. The planting undertakings were opening new markets and thereby increasing the outlet for British commodities. Foreign trade on the whole was flourishing. The capital employed by the East India company in the separate stocks during the period from 1609 to January 1613 had yielded a maximum profit of 234 per cent. and a minimum profit of 121½ per cent., not per annum, but during the period the funds were employed, which was longer⁵. The Russia company had been remarkably fortunate and it was able to pay 90 per cent., annually, in 1611 and again in 1612⁶. At home, the reclamation of land by drainage was making progress, the Irish society had been formed for the settlement of a considerable part of Ulster and the New River had been begun⁷.

There were two hidden menaces to this prosperity, namely the competition of the Dutch in the whaling, the East India and the cloth trades⁸; and added to this was the possibility that James I., under

¹ *Journals of the House of Commons*, i. p. 491.

² *Ibid.*, i. p. 469.

³ *A Detection of the Court and State of England*, by Roger Coke, 1719, i. p. 94.

⁴ *Calendar State Papers, Colonial, East Indies*, 1513-1616, pp. 272, 276, 293, 301, 395, 418, 421.

⁵ *Vide infra*, ii. pp. 124, 125.

⁶ *Ibid.*, ii. p. 53.

⁷ *Ibid.*, ii. pp. 338-40, 353, iii. p. 20.

⁸ For the foundation of the Dutch East India company, *vide supra*, pp. 121, 122, 130. A Dutch whaling company was established in 1614, and a Dutch Russia company rather earlier—S. van Brakel, *De Hollandsche Handelscompagnieën*, pp. 22, 27, 28; *Geschiedenis der Noordsche Compagnie*, Utrecht, 1874, p. 68.

financial pressure, might seriously endanger the commerce of the country by snatching at some temporary alleviation of his difficulties, at the expense of the general welfare in the future. By May 1614 the liabilities of the Crown had increased to £680,000¹; and they would have been higher, had it not been that considerable payments had been made, beginning in 1611-12, by Holland under the arrangement of 1609².

James I. had found by experience that the patents he had granted, hitherto, had not been effective in increasing the revenue to a material extent. If they were for *bona fide* new inventions, time must elapse before the royalty, reserved to the Crown, was received. Often, before that stage was reached, James I. had parted with his rights. If, on the other hand, the grant were one, like that made to the East India company, the Crown only gained by increase of Customs, and the benefit, from this source, was lost sight of in a gross total. Sometimes, it was found possible to exact a direct payment from the company, as for instance in 1614, when, on the representation of "the very many occasions of the King to use money," it was decided to make him a benevolence, the amount of which was to be kept secret³. As yet, beyond the patent for a new dye, nothing had been obtained from the cloth trade up to 1613, beyond the usual Customs. This industry exported goods to the value of about nine-tenths of a total of two and a half millions⁴. Of this the Merchant Adventurers at this time, even though through foreign competition their trade was reduced⁵, shipped about £600,000 a year—this being more than double the export of spices by the East India company⁶. It was the practice of the Merchant

¹ Gardiner, *History* (1889), II. p. 228.

² *Ibid.*, 1603-1616 (1863), II. p. 418.

1611-12.	French King's debt	...	...	...	£45,000
	Low Country	„	...	...	40,000
1612-13.	French King's	„	...	...	15,000
	Low Country	„	...	...	58,000
1613-14.	Low Country	„	...	...	31,213
					£189,213

³ Court Book, III., June 20, 1614.

⁴ *The Circle of Commerce*, by E. M[isselden], Merchant, 1623, p. 121.

⁵ In 1611 it is recorded that, though the clothiers "laboured in their calling as much at this time as ever before they did, doe of late find so little fruit of their labour, as that many of them are decayed and many of them also have given over that trade to the great hindrance of the realm"—*A Record of some worthe Proceedings: in the Honourable, Wise and Faithfull House of Commons in...1611*, in Somers' *Tracts* (1752), XIII. p. 271.

⁶ *The Defence of Trade*, by Sir Dudley Digges, 1615, p. 43. The export of the Merchant Adventurers before 1614 was 65,063 cloths (*Proceedings and Debates of the House of Commons 1620 and 1621*, Oxford, 1767, I. p. 204). These sold at about £10 per piece—Wheeler, quoted *Early Chartered Companies, ut supra*, p. 28.

Adventurers and other exporters to deliver the cloth abroad, either partly finished, or else undyed. Thus all the finer cloth was dressed and dyed abroad. It was thought that it would be possible to perform this work in England, and that the higher price realized would make good the loss in the quantity exported. The scheme, so far, was perfectly legitimate, and it would have deserved encouragement, as a new invention, by the grant of a monopoly of the dyeing of fine cloth for a term of years and by exemption from Customs for a short period. If it were possible to perform the work satisfactorily in England at that time, this method would have enabled the government to watch the progress of the experiment—if it failed, there would be little loss, except to the capitalists who would have voluntarily undergone the risk: if success were obtained, a valuable industry would have been established¹. Unfortunately, the adoption of such a method would only have benefited the Crown after some years, and the necessities of James I. were so urgent that he required an immediate increase of income. At this stage, the intervention of William Cockayne determined the form, which the scheme eventually assumed. It was proposed that all exportation of undyed and undressed cloth should be prohibited, and Cockayne and the other promoters undertook to provide sufficient workmen to finish all cloth offered to them. They estimated that from £600,000 to £700,000 a year would be added to the value of the cloth exported, and the Crown was to obtain £300,000 of this². The offer was tempting to James I., and Cockayne had secured the support of many influential courtiers, by means of lavish bribery³, so that the privileges of the Merchant Adventurers were suspended and a new company incorporated as *the New Company of Merchant Adventurers*. A commission was signed at the end of 1613, prohibiting the export of undyed cloth⁴; and, in a draft proclamation of May 25th, 1614, it was declared that no “stand of cloth” need be feared, for those engaged in this industry “may goe on in the course of their former trading, leaving it to our care and providence to introduce this great and happy alteration for the better, without any alteration of trade or pulling down of the price in the meantime⁵.” By July 22nd it was proclaimed that, after

¹ An arrangement such as that indicated in the text would have invaded some of the privileges of the Merchant Adventurers. The refusal of this body to enter into the new trade enabled the government to make other plans.

² Add. MS. (Brit. Mus.) 14,027, f. 271; Anderson, *Annals of Commerce*, II. pp. 308, 309; *The Relations of the Crown to Trade under James I.*, by F. Hermia Durham, in *Transactions of the Royal Historical Society*, New Series, XIII. pp. 212, 213.

³ *The Five Years of King James*, by Sir Foulk Grenvill, 1643, in *Harleian Miscellany* (1746), VII. p. 398.

⁴ State Papers, Domestic, James I., Grant Book, p. 176.

⁵ Coll. Proclamations Soc. Antiq., James I., No. 35.

November 2nd, the exportation of undyed and undressed cloth should be prohibited¹.

It will at once be obvious that the experiment was highly speculative. Supposing the most glowing expectations of the promoters were realized, for a number of years, the increased value would not exceed £700,000 a year; while, as it turned out later, the loss annually would be £1,000,000. The whole unpleasant transaction was a gambling venture, in which the great bulk of the export trade was lightly staked. It is true that the Privy Council had conducted an enquiry, the general result of which had tended to show that the establishment of the proposed industry would be advantageous, and the undertakers had given security to purchase the whole output of the looms. If, however, the dyers did not succeed, the outcome would be that an immense amount of the best cloth would be spoiled, and no statesman could have failed to foresee that the Dutch would resent being deprived of the raw material for their dyeing industry. Both effects followed, the cloth dyed in England is said to have been a failure and the Dutch prohibited it². Within a short time, the new company received permission to export undyed cloth, undertaking to produce 6,000 dyed cloths by 1616, 12,000 the next year and 18,000 in 1618³. Members of the former company were forced to compound with the existing organization before they could deal in cloth⁴. By 1616 the cloth trade was experiencing a severe crisis, there were many failures and the legality of the position of the new company was questioned. The assistants frankly admitted that they would be unable to maintain their ground, if the clauses in the charter of 1615, which were said to be illegal, were reformed. They clearly recognized that the whole work rested solely on the King's prerogative⁵. The favour of James I. was cultivated assiduously. He was entertained at a banquet in June 1616, and the company presented him with an ewer of gold, containing £1,000. A masque was performed by dyers and other workmen, who spoke "such language as Ben Jonson putt in theyre mouthes⁶." Efforts were made to find £50,000 to present to James I.⁷ As time went on, opinion even at Court, turned against the company. As late as September 1616, James had been reported to have expressed an intention

¹ Coll. Proclamations Soc. Antiq., James I., No. 39.

² *The Five Years of King James*, by Sir Foulk Grenvill, 1643, in *Harleian Miscellany*, VII. p. 412.

³ State Papers, Domestic, James I., LXXX. 112; *Calendar*, 1611-18, p. 288.

⁴ *Ibid.*, LXXX. 127; *Calendar*, 1611-18, p. 291.

⁵ *Ibid.*, LXXXVI. 40; *Calendar*, 1611-18, p. 347.

⁶ *Ibid.*, LXXXVII. 57; *Calendar*, 1611-18, p. 373.

⁷ *Ibid.*, xc. 147; *Calendar*, 1611-18, p. 454.

of venturing £40,000, but the puzzle was where he could raise the money¹. His hopes of an increased revenue had not only been disappointed, but there was a substantial decline. It was reported in November that, owing to the decay of the cloth trade, the King intended to force the members of the old company to enter the new one². Few proposals could have been less tactful, since there were bitter animosities between the two bodies. Besides, the weavers were so incensed against Cockayne's undertaking that a reconstituted body would be safer without any of those, against whom there was so much ill-feeling. The members of the old company, therefore, stood out for the complete restoration of their former privileges. After protracted negotiations, which involved the paying of between £60,000 and £70,000 to persons about the Court, the King declared that he would no longer depend "on specious and fair shewes, which produce not the fruit our actions doe ever aim at"; and on August 12th, 1617, the old company was restored to its former status, and the new one was dissolved³. This payment, on the re-establishment of the Adventurers, constituted a serious burden on a trade, that had already suffered severely. Unfortunately, too, the dislocation of the industry did not cease with the return of permission to export cloth, either unfinished or finished, dyed or undyed. The Dutch had taken steps to protect themselves, by starting the preliminary stages of the manufacture, for which they had hitherto depended on England. As a consequence of this and the loss of reputation of English cloth, the export by the Merchant Adventurers in 1620 was little more than half what it had been before 1613. This meant an enormous loss over a series of years, and it was one of the chief causes of the crisis, which began in 1620. In fact, it is not a little remarkable that a serious panic had been avoided in 1616 or 1617. The complete dislocation of the cloth trade and the failure of numerous merchants, engaged in it, indicated that credit was severely strained. Probably the incipient crisis was avoided, partly by the general belief that on the dissolution of the New Merchant Adventurers, the trade would return to its former level, partly, too, by the success of the Russia and East India companies. The former had been very fortunate in its whaling expeditions from 1608 to 1615. It had divided from its profits for this period aggregate dividends of as much as 339 per cent., or an average of $42\frac{3}{8}$ per cent. per annum. Since the capital was £64,687, the profit for the eight years was £219,288⁴. The credit of the

¹ State Papers, Domestic, James I., LXXXVIII. 89; *Calendar*, 1611-18, p. 395.

² *Ibid.*, LXXXIX. 17; *Calendar*, 1611-18, p. 404.

³ *Ibid.*, Sign Manual, vol. VIII. Nos. 77, 80-84; *Proceedings of the House of Commons*, 1621, I. pp. 87, 153; Coll. Proclamations Soc. Antiq., James I., No. 82.

⁴ *Vide infra*, II. pp. 53, 54. In the statement above an attempt is made to

company was so good that it was able to borrow in 1618 at 8 per cent., as compared with 10 per cent. paid both by the Crown and the East India company for loans¹. The India trade, up to this time, had been highly prosperous. Until the termination of the "First Joint-Stock" in 1617, the profits, in addition to the return of the capital, amounted to £1,028,281. It is by no means easy to compare these figures with those of the Dutch company, owing to the different financial methods of the two bodies. The English organization from 1600 to 1617 consisted of thirteen distinct ventures, each of which had a separate capital; and, on the termination of one voyage (or a series of voyages), the whole assets were divided to the adventurers. Therefore, any sum of the divisions would be misleading, since these represented the return of the capital subscribed, and that capital varied in amount for different expeditions. Moreover, these stocks overlapped—a fresh voyage being subscribed, before the capital of a previous one was repaid². One source of confusion may be eliminated, by reducing the divisions made to the profit distributed, after allowing for the return of the various capitals adventured. It remains, therefore, to estimate the amount of capital, required to earn the specified profit of over a million in the seventeen years. Allowing for the overlapping of stocks until the original sum was returned to the shareholders, it seems probable that the average amount of capital, earning dividend during the seventeen years, was not more than £200,000, and it may have been less. Therefore, the profit, during the whole period, was at least five times the stock subscribed and outstanding. Since the English company started *de novo* in 1600, while the Dutch undertaking was an amalgamation of a number of existing undertakings, whose assets were taken over by the new company, no injustice will be done to the latter by comparing its profits from 1602 with those of its rival to 1617. The dividends of the Dutch enterprize fall into two series—the first of which was paid from 1605 to 1614 and represents the proceeds of the expeditions sent to India in 1601. These payments amounted to 265 per cent.—but, as in the case of the Russia

represent the financial situation as it was in 1617, when the account H (*i.e.* that for 1615) was made up. Through subsequent changes in the outlook, many of the assets proved bad; and, not only was the original capital lost, but the Adventurers in this company were assessed to the extent of £35. 9s. 11d. per cent. Thus it follows that the total nett *divisions* for this period were 303½ per cent., or a profit for the eight years of 203½ per cent., being at the average annual rate of 25 per cent. instead of 42 per cent.

¹ The Petition of Mrs Mary Brocas, 27th May, 1624, House of Lords MSS.; Exchequer of Receipt (State Papers) (Miscellanea) 43, (3); *Calendar State Papers, Colonial, East Indies*, 1617–21, p. 85.

² *Vide infra*, II. pp. 98–101, 103.

company¹, there had been a miscalculation, and it became necessary to recall 4 per cent., reducing the total distribution to 261 per cent.² The second series was derived from the operations of the company on its own account. These dividends were paid between 1610 and 1611, and came to 162½ per cent.³ It will thus be seen that the English company had some advantage in the rate per cent. of profit; but it is to be remembered that the capital of the Dutch undertaking was larger, being 6,449,588 florins 4 st.⁴, and therefore its total profit was the greater of the two. In addition to the profits divided, the Dutch were spending considerable sums on fortifications in the East; so that the situation resolved itself into one in which the Dutch company was forming a reserve fund, invested in forts and munitions; while the English undertaking, owing to its system of terminable stocks, had as yet taken no effective steps towards securing the permanence of its trade. Neglecting this disposal of undivided profits, the average annual rate for the English company was over 31 per cent., about 25 per cent. for the Dutch organization and over 42 per cent. for the Russia company, the calculation in the latter case covering the period from 1608 to 1615⁵.

The success of the Russia and East India companies had tempted some of the members of the Court party, and in 1617 an ingenious device was discovered, whereby it was thought possible for several of the favourites of James I. to share in the gains, without undergoing any considerable risk. This scheme was the incorporation, *under the great seal of Scotland*, of a body, which might trade within the limits of these two companies. Possibly this grant was defensible on legal grounds, and it might be urged that there were equitable arguments in its favour. It seemed unfair that a lucrative trade, which was incorporated before the Union of the Crowns, should be confined to Englishmen. Such a limitation was more apparent than real. Several Scotsmen resident at Court were admitted as members⁶, in some cases it would have been

¹ *Vide infra*, II. pp. 47, 48, 58.

² Klerk de Reus, *Niederländisch-Ostindischen Compagnie*, p. 178.

³ *Ibid.*, Appendix vi. The payments were partly in commodities, partly in money. Some shareholders did not take payment in this form, and they received 162½ per cent. in money in 1612, 1613 and 1616.

⁴ *Ibid.*, p. 176; André E. Sayous, *Le Fractionnement du Capital Social de la Compagnie Néerlandaise des Indes Orientales aux XVII^e et XVIII^e Siècles* in *Nouvelle Revue Historique de Droit Française et Etrangère*, 1901, p. 622.

⁵ For details of the divisions of the Russia company at this period, *vide infra*, II. pp. 52-4.

⁶ In 1614, on the admission of a courtier *gratis*, it is recorded the company was desirous "to have some such their friends about the King that should be tied unto them by some kindness, especially against this time of Parliament"—Court Book, III., March 19, 1614. At the previous meeting the appointment of a Scottish chaplain was considered.

possible for others, not already admitted, to buy shares; and, on at least one occasion, subscriptions of capital were invited from the general public¹. As shown elsewhere, the proposed Scottish company was a breach of the promise made by James I. in the charter he had granted to the London undertaking in 1609, and the whole scheme presented many practical difficulties². Had it been carried out, the India trade would have suffered, like the cloth industry; and, to prevent this disaster, it was decided to form a new whaling company—the capital of which should be provided in equal parts by the Russia and East India organizations. It was arranged that this body should purchase all the materials, which had been procured in preparation for a voyage by the Scottish adventurers³.

Although the Russia and East India companies were soon to experience a change of fortune, no signs of this were apparent in 1617. In that year, a new subscription was made by the latter (which was intended to continue for eight years), and 954 persons undertook to adventure amongst them £1,629,040⁴. The amount of capital promised shows that the public was prepared to invest freely, and further evidence in the same direction is to be found in the formation of an African company in the following year (1618)⁵. It seems likely that the abundance of capital was not so great as it seemed to be. The injury to the cloth trade continued, and the activity of enterprize is to be ascribed to the resources, set at liberty by the contraction of the cloth-industry, seeking new fields for investment. If, as actually happened, these proved unproductive, the crisis, that might have come in 1617, would be intensified in destructive power.

In England there were indications that trade was less prosperous than it had been. Although the revenue had recovered from the check, sustained by the interference with the cloth trade, the rate of expansion was slower⁶. While in 1619 there was an estimated balance of £45,000, after defraying the ordinary charges, the extraordinary expenses continued to be a serious burden, transforming the ordinary surpluses into chronic deficits. In September 1617 the debt was £726,000. At first sight, it is surprising that, in view of the fact that the subsidy of 1610-11 was only one-tenth and one-fifteenth, and that the Parliament of 1614 granted no supply, the borrowing had not been larger. No doubt some reform in the royal expenditure had been effected, but the small increase of debt was due mainly to two different causes. Large

¹ Court Book, II., April 22, 1608.

² *Vide infra*, II. p. 104.

⁴ *Ibid.*, II. p. 104.

³ *Ibid.*, II. p. 55.

⁵ *Ibid.*, II. p. 11.

⁶ Cf. Estimates of Ordinary Revenue 1610, 1614, 1619, Gardiner, *History* 1603-16 (1863), II. pp. 412-15; *Ibid.* 1628-37, II. p. 344; (1904), x. p. 222.

sums had been paid by Holland, in reduction of its debt (as much as £205,077 was received in 1615-16), and James I. was rewarding his favourites, without making such large money payments, as had been his custom in former years. During the long gap between the Parliaments of 1614 and 1621, opportunities had arisen for a fresh series of monopolies. Though the annual payments actually made to the Crown only amounted, at the most, to the inconsiderable sum of £900¹, there were intermediate persons between some of the patentees and the King, who intercepted considerable amounts. For instance, in addition to large sums exacted from both the "New" and the "Old" Merchant Adventurers, Lady Bedford had received £500 from one of several persons, interested in obtaining a patent for gold and silver thread², while Lord Kelly was said to have secured £40,000 from his right to nominate 400 merchants or others under a new patent of the Staplers³. Thus these patents were burdened by heavy preliminary expenses, and those, who had obtained privileges through them, were likely to use oppressive measures to recoup themselves. It followed that, under orders from the Privy Council, the patentees began to tax the allied trades for their own benefit, with the result that there were actions against, and imprisonments of those, who refused to compound, to an extent hitherto unknown. Such harsh measures naturally aroused much indignation, and some of the patentees were severely handled, when Parliament met in 1621.

¹ Gardiner, *History* (1893), iv. p. 21; Mr Price (*English Patents of Monopoly*, pp. 31-2) calculates that there was "hardly £50 annually derived from the true monopoly rents."

² *Proceedings of the House of Commons*, 1621, i. p. 127.

³ *Ibid.*, i. p. 87. With reference to the origin of the Staplers, *vide supra*, p. 8.

CHAPTER VIII.

THE ORGANIZATION OF THE JOINT-STOCK COMPANY FROM 1600 TO 1620.

EVEN though much had been accomplished by the joint-stock companies founded in the sixteenth century, it was not until the reign of James I. that this type of organization became sufficiently common to have a distinctive life-history of its own. No doubt much valuable information could be gleaned from the earlier undertakings, were the documents relating to them complete. As it is, the absence of minutes and other important papers limits the investigation to a series of glimpses rather than a full view of the methods of management adopted.

It is typical of the development of this class of venture that, beginning with the foundation of the East India company in 1600, a more exact type of incorporation was adopted. Prior to this date there was a wide latitude in the description of a trading body, sometimes it was entitled a fellowship or a society or a company. There are instances, too, where there were either no special privileges, or where the concession was for a short period, in which the body established had no special name given it in the charter or grant. From the foundation of the East India company, a more exact system of nomenclature begins, which continued until the end of the reign of Charles I. Almost invariably the official title consisted of the following parts. First there was the "Governor and Company" or the "Governor and Society," consisting of a specified class of persons, formed to carry on a certain enterprise, and to this a local designation was added, either as applying to the persons or to the object they had in view. Thus the full title of the East India company was "the Governor and Company of Merchants of London trading into the East Indies¹." Similarly the Bermuda company was "the Governor and Company of the City of London for the Plantation of the Somers Islands" (1611)². In 1613 the Irish Society was incorporated as "the Society of the Governor and Assistants

¹ *Vide infra*, II. p. 92.

² *Ibid.*, II. p. 262.

of London of the New Plantation in Ulster within the realm of Ireland¹," in 1618 the Guinea company as "the Governor and Company of Adventurers of London, trading to Gynney and Bynney²," and in 1619 the New River undertaking as "the Governor and Company of the New River, brought from Chadwell and Amwell to London³." The same tendency is shown in the charters granted to the Mines Royal and to the Mineral and Battery Works in 1604—the former being described as "the Governors, Assistants and Society of the City of London of and for the Mines Royal," and the latter as "the Governors, Assistants and Society of the City of London of and for the Mineral and Battery Works⁴."

In these incorporated titles it is to be noticed that the name "society," which was common in the sixteenth century, is giving way to that of "company." The only cases in which it survives are the re-incorporated bodies for the Mines Royal and for the Battery Works and in the new undertaking of the Irish Society. It is probably a coincidence that, only in the latter and in the title of the Mineral and Battery Works are the assistants included in the official description. There are a few minor exceptions to these principles. The Virginia company was unique in having no official known as a governor. The head of this body was called a treasurer, and therefore its title was "the Treasurer and Company of Adventurers and Planters of the City of London for the First Colony in Virginia⁵."

The management, as a rule, was entrusted to a governor and assistants—the number of the latter being either twelve or a multiple of twelve. In the Somers Islands company, for instance, there were 24 assistants, in the Irish Society 12. The smaller membership of the Mines Royal rendered it impossible to have more than six assistants, while the Mineral and Battery Works had eight. The latter is the only case in this period where this number is not either 12 or a multiple or sub-multiple of 12. There are two interesting divergencies from the normal type. The one in the case of the East India company, where the management consisted of a governor, a deputy-governor, and 24 "committees"; while in the African company, incorporated in 1618, there were a governor, a deputy-governor, and 12 *directors*. This is the first use of the term director in a charter; but, as early as 1604, the word occurs in Sandys' "Instructions" and, curiously enough, in reference to the Russia company, the affairs of which, it is stated, are "managed by fifteen directors⁶." Apparently at this date the existence of consuls,

¹ *Vide infra*, II. p. 339.

² *Ibid.*, II. p. 12.

³ *Ibid.*, III. p. 22.

⁴ *Ibid.*, II. p. 424.

⁵ *Ibid.*, II. pp. 249, 250 (note).

⁶ *Journals of the House of Commons*, I. p. 220. It was Sandys who introduced

in addition to the usual governor and assistants, was felt to be archaic. Still earlier, the term had been employed in the case of the Mines Royal for certain subordinate officials, who occupied a position resembling that of managers or foremen¹. The introduction of the word by Sandys and again in the charter of the African company was premature; since, at this period, the governor had larger powers than the chairman of a board of directors; and, therefore, the description of those elected to serve with the governor as "assistants," represented most adequately the actual relation of the officials. These men were, both in name and in fact, the assistants of the governor.

Since the form of incorporation and the mode of government in the regulated and the joint-stock companies were essentially the same, it is only to be expected that there should be many points of contact, indeed in some cases there are features in the first joint-stock ventures that carry one back to the social gild. Such characteristics are of exceptional interest as showing the continuity of the development of associated effort. The continuance of the exclusive spirit, which was necessary only as a bond of union amongst the members, is repeated in the company, not only in the desire for a monopoly, but also in the oath of membership². The terminology of the gild was continued in the naming of the shareholders "brothers" in the East India company, and in fining those who were absent, when summoned to meetings. There are some traces of the social side of gild-life in the feasts that were held on suitable occasions by the Russia and East India undertakings³.

In some respects the East India company had more points of contact with the regulated bodies than other joint-stock undertakings that had been founded earlier. In this case, a distinction was made between a purchase of shares by one, who was already a member, as distinguished from another, who was not. In the latter circumstances, the new shareholder, in addition to the agreed-upon price, had to pay a certain sum for his "freedom," this being analogous to the fine on admission to the regulated company. In 1615 a graduated scale of payments on entrance was drawn up—merchants were charged £50 each, shopkeepers 100 marks (*i.e.* £66. 13s. 4d.), one son of a freeman, not exceeding 21 years of age at the date of his father's admission, £1 to the poor box; and the other children, not exceeding 14 years of age,

the term director in this connection (*vide Records of the Virginia Company of London*, edited by S. M. Kingsbury, Washington, 1906, II. pp. 144, 154), but it was William Paterson who brought it into common use.

¹ *Vide infra*, II. p. 399 (note).

² For the terms of the oath of a member of the East India company, *vide Bruce, Annals*, I. pp. 8, 9.

³ *Vide supra*, pp. 4, 5.

10s. each, when they came of age. Gentlemen were admitted by the governor on such terms as he thought fit¹. The Virginia company was in the habit of admitting persons, who were not shareholders, to the freedom at first for some special service, and subsequently "by favour of the court"—a system which, during the dissensions in this body from 1619 to 1624, led to several abuses².

While there are these and similar resemblances between the regulated and joint-stock companies at the beginning of the seventeenth century, the most interesting and important aspect of the latter is that which is peculiar to itself—namely the management of the common capital of the undertaking. There can be little doubt that the primitive type of company was that formed for a single expedition, on the termination of which the finances were investigated and the venture was wound up, although the same persons might at once equip a fresh voyage. Thus the partnership, or small unincorporated company, was only terminable at the end of the voyage, but it was customary, in the case of a disagreement and when the discontented partner refused to sell his interest or to buy that of the others, that the majority might carry on the next voyage, as if the person who dissented remained a voluntary partner. Under such circumstances, the capital of the new expedition would be continuous with that of its predecessor³. The Russia company, possibly owing to its capital being locked up⁴, was in advance of its contemporaries in having only a few different stocks in the sixty-seven years up to 1620⁵. The company for Frobisher's voyages carried on the losses of its early expeditions⁶. There is no information as to the details of the capitalization of the Levant company, while it traded on a joint-stock; but the adventurers to Africa, during the reign of Elizabeth, treated each voyage as a distinct venture, with a capital of its own on which dividends were paid⁷.

This system involved the payment of monies to the adventurers, both on account of the capital subscribed, as well as from profits. Therefore, such distributions may be best described by their original title of "divisions," to distinguish them from the modern dividend. These facts have an important bearing on the finances of the first plantation companies. Such organizations were expeditions for surveying and occupying districts, suitable for colonization. There were two clearly-marked stages in their histories. When the area chosen had been made

¹ Court Book, III., October 31, 1615.

² *Records of the Virginia Company*, I. pp. 264, 592, also *infra*, II. pp. 280, 281.

³ *Consuetudo, vel Lex Mercatoria*, by Gerard Malynes, 1622, p. 169.

⁴ *Vide supra*, pp. 30, 34.

⁵ *Vide infra*, II. pp. 40, 44-6, 48, 49, 52-4.

⁶ *Ibid.*, II. p. 79.

⁷ *Ibid.*, II. p. 6.

sufficiently safe for settlers, it was divided rateably amongst the adventurers. Therefore, there was at an early period a division of land, which constituted the chief return made to the shareholders. In some cases the company continued to exist and to exercise certain trading rights, vested in it by its charter. This was the case with the Bermuda company¹. A peculiar modification of the same method occurs in the continuance of the Irish Society. This was in effect a joint-stock company, the shares in which were taken up by the Livery companies in 1609, while by 1613 the greater part of the land had been divided; and, as time went on, the income of the remainder was disbursed by the society, in its corporate capacity, for religious, educational and charitable objects².

One effect of the foundation of plantation companies was the lengthening of the period before the first division was made, and another influence, in the same direction, was the example of the Dutch East India company. In a foreign-trading body the disadvantages of terminable stocks are very apparent. These are noted elsewhere³. The contest between capital, subscribed for a short or a long period, is clearly marked in the early history of the East India company. The sums, paid in by the shareholders for the first voyage in 1601, were consolidated with those adventured in the second in 1603. The capital of the third expedition (1606) was merged in that of the fifth. The remaining voyages from the sixth to the twelfth (1609-13), as well as the fourth (1607), were financially distinct, having separate capitals which (except in the case of the fourth voyage, where a loss was made) were returned to those who had subscribed⁴. In 1613 a new method was adopted of making a subscription, which was to extend over and provide funds for four years, and in 1617 a further prolongation of the term of the stock, issued in that year, was determined on. This—the Second Joint-Stock, as it was named—was to last for at least eight years⁵. It is impossible to determine whether the plan of only asking for capital for brief periods was due to the desire of the members for this form of investment, or whether it was forced on the governor and committees, at first, by political uncertainties abroad, and continued later, through the fear of interference with the company by James I. There is no doubt that,

¹ *Vide infra*, II. pp. 263, 289-97.

² *Ibid.*, II. pp. 341, 342. To some extent, the Irish Society resembled the Dutch East India company in the manner in which the capital was provided.

³ *Ibid.*, II. pp. 101, 109, 111.

⁴ It is to be noted however that it was usual when one stock was being wound up at the time another was being formed, for the latter to purchase "the remains" of the former—*vide infra*, II. p. 103.

⁵ *Ibid.*, II. p. 104.

during the subsequent struggle between the English and the Dutch bodies, the former suffered through its having been unable to make strongly defended factories, owing to the necessity of keeping its assets liquid, in order to distribute them when each stock was wound up¹. The few companies dealing with industries in England had permanent capitals—as for instance the Mines Royal², the Mineral and Battery Works³ and the New River company⁴. In these cases no other method would have been possible.

During the seventy years up to 1620, there was a gradual evolution from the primitive type of share towards a capital stock. Attention has already been drawn to the tendency at first to treat the joint-stock company as an extended partnership⁵, with the result that the whole undertaking was divided into a comparatively small number of shares; and, as a consequence, if the business was one of any magnitude, the amount paid up on each share was large. The Mines Royal, Mineral and Battery Works and African Adventurers are instances of this tendency⁶. Had this system been continued in its original rigidity it would have confined membership to the very wealthy; and, therefore, two methods were adopted of attracting the smaller investor—the one by dividing shares into fractions and the other by the admission of "under-adventurers." After 1600 these devices were continued, in the case of the New River company—the adventurers' moiety was divided into thirty-six shares, the original par value of which was £257. 5s. 9½d., and which were soon sold in fractional parts⁷. On the other hand, in the Irish Society the original capital was divided into only 12 "portions" of £3,333. 6s. 8d. each, and the smaller livery companies subscribed "under" one of the greater bodies, to which the shares were assigned in the first instance⁸. Yet another method was adopted in the case of the syndicate which owned the Globe Theatre during the time that Shakespeare was connected with it. At first there were 10 shares, and new ones were added until the total was increased to sixteen⁹.

With the foundation of the East India company a modification was introduced. Instead of the number of shares being determinate and the amount paid thereon indeterminate, at the formation of the undertaking the nominal value of the share was fixed, but there was considerable latitude in the quantity of shares. As a general rule, the committees were prepared to receive more capital for the earlier voyages than was actually adventured, and so the subscription lists remained

¹ *Vide infra*, II. pp. 97, 108.

³ *Ibid.*, II. pp. 405, 416.

⁵ *Vide supra*, p. 45.

⁷ *Ibid.*, III. pp. 21, 24.

⁹ *Shakespeare in London* by C. W. Wallace in *The Times*, October 2, 1909.

² *Ibid.*, II. pp. 385–405.

⁴ *Ibid.*, III. pp. 21–31.

⁶ *Vide infra*, II. pp. 7, 387, 416.

⁸ *Ibid.*, II. p. 340.

open for a long period. In the first voyages the shares appear to have been £250 each; while in the fourth expedition the amount was raised to £550, and under-adventurers found a part of the calls on some of the shares¹.

At the same time, a movement was in progress towards the reducing of the denomination of the share. As far back as 1583 Carlile had proposed the formation of a plantation company with shares of £25, £12. 10s. and £6. 5s. each². Similar undertakings at the beginning of the seventeenth century (with the exception of the Irish Society) consisted of shares of a fixed but small amount, and capital was created as required by the issue of more shares. Thus the first Virginia company had "great shares" of £12. 10s. and half-shares of £6. 5s.³ The New England undertaking (1620) had two distinct capitals—the one for exploration, the shares in which were £110 each; and the other for fishing, in which £50 on every part was paid up at the same date⁴. In the company of noblemen and gentlemen for planting Guiana, first formed in 1619, but not incorporated until 1629, there were three kinds of shares, with £150, £100 and £50 to be called up⁵. In this case, as well as Carlile's proposed venture and the Virginia company, the distinction between different classes of shares was confined to the amount of each—there was no priority.

A fresh stage in the evolution was reached, on the formation of the First Joint-Stock of the East India company in 1613. The adventurers, who joined in this series of voyages, undertook to subscribe a certain amount of capital, payable in equal parts over four years. For convenience, the subscription was dealt with as consisting of units of £100 each to be paid, annually, up to 1617⁶. Although from a modern point of view this method of capitalization would be considered as one divided into shares of £400, the tendency of the seventeenth century for earmarking different sums as far as possible led to attention being concentrated on the annual payments. Therefore, although the same persons were proprietors of the thirteenth, fourteenth, fifteenth and sixteenth voyages, each had a distinct capital on which divisions were made. Since, moreover, the unit in all of them was £100, an approximation towards the replacement of the share by stock is reached. As yet, however, the evolution of "stock," as a marketable denomination of the total capital, consisting of multiples of a certain specified sum, is incomplete. In fact the best description of the First Joint-Stock of the East India company, from this point of view, would be as consisting of shares of £100 each—these constituting the connecting link between the

¹ Court Book, II., July 22, 1607.

² *Vide infra*, II. p. 243.

³ *Ibid.*, II. p. 250.

⁴ *Ibid.*, II. p. 302.

⁵ *Ibid.*, II. p. 325.

⁶ Court Book, III., May 19, 1614.

share, as such, and stock in its later meaning as a transferable portion of the whole capital.

Correlative to the treatment of the resources subscribed was the distribution of the profits thereon. The East India company was peculiar in its partiality for terminable stocks, while the Russia adventurers continued to trade on the capital, which had been subscribed, as long as it continued to give good returns¹. It was only when results became disappointing that it was wound up and a new subscription taken. In both cases, no distinction was made between the capital that earned the profit and the profit itself, and many of the troubles of the Russia company in 1620 were due to the lack of this precaution². The East India company had a fixed method of procedure in arriving at the amount of its divisions. There was often some doubt as to what goods were to be credited to the capitals of two distinct, but co-existing "voyages," and first of all the auditors reported to the governor and committees, recommending a certain dividend on a particular stock. The committees then passed the proposed payment, and referred it to a general court of the adventurers concerned, who finally sanctioned the distribution³.

There were several formulæ by which the divisions were announced. For instance, in the case of the East India company, at a meeting of committees on June 8th, 1614, it is recorded that there was a "remainder" in cash of between £10,000 and £11,000, belonging to the third and fifth voyages, from which it was proposed that "sixteen upon a hundred should be divided⁴." As a rule, single payments under 50 per cent. were spoken of in this way—namely as so much upon a hundred. Divisions of 50 per cent. or multiples of that amount were calculated in terms of "capitals." Thus on September 20th, 1614, a division of 50 per cent. is declared as "fifty on the hundred⁵," while on December 6th the same distribution is referred to as one of a "half-capital⁶." About a fortnight later, a "capital in money" was to be divided amongst the proprietors of the eleventh voyage⁷. After 1614 payments, expressed in terms of one or more "capitals," are frequent, such as the recommendation of the auditors of three capitals on the seventh voyage, and one capital and a half on the ninth voyage⁸, or, again, the sale of stock upon which three half-capitals had been taken out⁹.

¹ *Vide infra*, II. pp. 45, 48, 52.

² *Ibid.*, II. pp. 64, 65.

³ Court Book, III., Sept. 8, 1615.

⁴ *Ibid.*, III., June 8, 1614. As the subscribed capital was £67,200, a division of 16 per cent. required £10,752.

⁵ *Ibid.*, III., Sept. 20, 1614.

⁶ *Ibid.*, III., Dec. 6, 1614.

⁷ *Ibid.*, III., Dec. 20, 1614.

⁸ *Ibid.*, III., Sept. 8, 1615.

⁹ *Ibid.*, IV., Feb. 24, 1618.

The use of the word "capital" in this connection is of great interest, as one of the earliest applications of it, in relation to joint-stock companies, in English records. It is true that the Italian equivalent is employed in a communication from the Venetian ambassador at Constantinople, in relation to the proceedings of the English merchants there. On October 17th, 1598, he writes: "Che inglesi hanno introdotta una navigazione nei mari et nelle Isole di Sua Serenità, tenendo pratica et intelligenza con sudditi del Zante, Ceffalonia ed altri luochi molti de quali vanno a Constantinopoli con capitali de medesimi inglesi et alloggiano nelle case loro¹."

The introduction of the term by the East India company into their minutes was a recognition of a practical difficulty, arising out of the different significations in which the more usual word stock was used. At the beginning of a voyage, the "stock" was the amount actually paid up by the adventurers—it was both the stock-in-trade in the widest sense and the sum total of the sums subscribed. At this period a complication was introduced by the Dutch and the English East India companies, as well as the Russia adventurers, borrowing large sums². It followed that the stock, employed in the business, became greater than the payments made by the members on their shares. The tendency towards confusion became accentuated, when, on the foundation of the First Joint-Stock, "stock" acquired yet a third meaning, namely as standing for a share of £100. The existence of this difficulty may be traced in the minutes of the company, as for instance when it is recorded that the Dutch company had "a stock" of £900,000, while it owed £400,000³, where the term denotes the whole outlay. Coupled with the necessity to avoid misunderstanding, there was a second cause, which accounts for the introduction of capital as a business-expression at this time. The East India company endeavoured to keep its accounts in a more scientific manner than had been usual amongst its predecessors. The need for improvement was sufficiently apparent. Not only are there no balance sheets of the Crown revenue and expenditure, but errors in addition might almost be described as the rule rather than the exception. The Italians were the pioneers of accurate bookkeeping, and it

¹ State Archives, Venice—Rubricario del Dispaccio dell' Ambasciatore Veneto Cappello—No. 601-304, Sez. III.; *Calendar State Papers, Venetian*, 1591-1603, p. 347.

² *Vide infra*, II. pp. 44, 104, 107.

³ Court Book, III., May 5, 1615. Similar difficulties showed themselves in reference to the capital of the Dutch company as divided amongst the shareholders. At first the holding consisted of "parts" (cf. *supra*, p. 45) of the subscribed capital which were eventually consolidated or divided into shares of 3,000 florins—A. E. Sayous, *Le Fractionnement du Capital Social de la Compagnie Néerlandaise des Indes Orientales aux XVII^e et XVIII^e Siècles* in *Nouvelle Revue Historique de Droit Française et Etrangère*, 1901, pp. 624, 625.

has already been shown that, as early as 1569¹, an attempt had been made to introduce their methods of accountancy into England, including the employment of the term capital. It appears, however, that this effort did not succeed, and it was only when merchants who, later, had business relations with the Mediterranean became convinced of the advantages of the Italian method, that it came to be studied. Now amongst this group there were many members of the East India company. Although there were differences of opinion between this body and the Levant merchants, the latter had been instrumental in the foundation of the East India undertaking². But the Levant company itself was an amalgamation of two other bodies, one of which was the Venetian merchants³. In this way there was a connection between some of the East India adventurers and Italy, so that it is probable that several of the officials of the company had learnt their bookkeeping in the Mediterranean and would introduce improved methods. In this manner the transplantation of the term capital can be explained.

At the same time, it should be noticed, as an example of the perplexities attending the investigation of seventeenth-century finance, that the description of divisions, as consisting of a half-capital or a whole capital, is liable to mislead the modern reader. Owing to the incomplete state of the minutes of the East India company, our knowledge of the divisions made during the beginning of its history depends on a report drawn up by the accountant at a later date, which gives the amount of each separate subscription and the total of the divisions thereon. It would be expected that the dividend of a capital would be equal to sums paid in by the adventurers. This is so in the case of the eighth voyage, where, according to the minutes, three capitals were divided, with a final payment of 11 per cent., making 311 per cent., which agrees exactly with the figures given by Sambrooke. The difficulty begins with the First Joint-Stock. Unfortunately, since there is a gap of nearly two years in the minutes, it is not possible to make a complete list of all the divisions declared, so as to compare them with the result stated by Sambrooke. However, starting with the amount subscribed which he gives, and which is confirmed by the minutes, and taking "the capital" as equal to this sum, the extraordinary result is arrived at that, on this basis, the incomplete dividends come to more than the total should be. At first one is tempted to suppose that the "capital" divided must have been less than 100 per cent., or else that Sambrooke's figures are wrong. Neither of these suppositions is admissible. There would have been no gain in the adoption of "capital" as a term of accountancy, unless it were used in its natural meaning; and Sambrooke

¹ *Vide supra*, p. 60 (note).

² *Vide infra*, II. p. 91.

³ *Ibid.*, II. pp. 84, 85.

is accurate, where his work can be checked. The solution of the problem is to be sought in a different direction, namely in the practice of keeping separate accounts for each of the four voyages, financed by this stock¹. Since a quarter of the stock was called up each year, a division of a whole capital on the first of these would mean 100 per cent., not on £418,691, but on about a quarter of that amount. It might be thought that when, in the second year, one-half of the stock was called up, the division of a capital would be equal to this sum; but as a matter of fact, for the same reason, if funds accrued from that voyage they were assigned to it, and similarly with those of the succeeding two years. Thus a dividend of a capital on the First Joint-Stock was in reality not 100 per cent. on the whole subscription, but on the voyage of a particular year. The difference between the usage in the seventeenth century and that now adopted was one in the point of view. The East India adventurers divided the whole into distinct parts, each of which was kept separate; and therefore, according to their practice, they were logical in naming each of these parts "a capital." If the divisions on this stock be treated by assigning each of them to the voyage on which it was declared, in relation to the subscription allocated to that voyage, taking the capital as 100 per cent. on the funds of its proper voyage, it will be found that the divisions in the minutes, instead of being in excess of Sambrooke's return, come to a smaller sum, as is necessary from the incompleteness of the records. A precisely similar result is arrived at in the case of the subsidiary joint-stock of the Virginia company, which was known as "the great," or "the old magazine²." Being distinct from the parent undertaking, its minutes were kept separately³, but there are sufficient references to its finances to enable a reconstruction of their main outlines to be made. The subscribed capital was £7,000, payable in three annual instalments. By December 19th, 1621, "a whole capital" (in the form of two "half-capitals") had been divided⁴. Yet in February 1623 it is recorded that the shareholders had then only received, as their total divisions, £4,000⁵; and, as in the case of the East India company, it is plain that "the capital" was computed on the stock of a distinct voyage, as is clear from the form of declaring a distribution as "half a capital of the first year's adventure⁶."

¹ This was also the practice of the Russia company—*infra*, II. pp. 39, 45, 52-4.

² For some account of this venture, *ibid.*, II. pp. 256, 257, 270, 273, 276.

³ With the exception of the report of one meeting, which was copied into the Court Book of the Virginia company (*Records of the Virginia Company*, I. pp. 524-6), none of these minutes are known to exist.

⁴ *Ibid.*, I. pp. 227, 238, 535, 547, 572.

⁵ *Ibid.*, II. p. 279.

⁶ *Ibid.*, I. p. 328. The division of £4,000 on £7,000 appears to have been three half-capitals with a balance of an odd amount.

Owing to the increased importance of the joint-stock company at this period, sales of shares became comparatively common. The names of proprietors given in the various charters of the society of Mineral and Battery Works show numerous changes, but it was after the foundation of the East India company that these transactions became frequent. By the formation of successive subordinate ventures, there were opportunities for those, who had capital to subscribe, to acquire an interest in these stocks. Application was first made to persons, who were already free of the company, and subsequently outsiders were invited to become adventurers¹. It is surprising that in spite of these opportunities—there were twelve distinct subscriptions up to the beginning of 1613—many shares were sold. In most cases these were dealt with by private negotiation between the parties, and the company recorded the “transport” without noting the price obtained. It sometimes happened that members, for various reasons, were either unable or unwilling to dispose of their interests in this way. In such cases, the “court of sales” provided a ready means for the realization. After the auction of East India commodities by “inch of candle,” any shares which the proprietors wished to part with, by the same method, were offered. This procedure is of interest as showing that there was an open market for these securities, since the court of sales was attended by any persons who were prepared to purchase the goods. In many cases the purchasers of shares by auction, as well as those who had bought by private negotiation, were not members of the company, and they paid, in addition to the price agreed upon, the usual fine for admission. The governor and committees were anxious to encourage public sales of shares, and, in 1615, it was ordered that £200 paid up in the First Joint-Stock should be auctioned, “whereby they may better know the worth of their adventures, which will give a good reputation to the voyage, if it shall be well sold².”

The prices realized at these sales are recorded elsewhere³. They are of interest chiefly as very early quotations for stocks. Had this company not adopted the practice of making divisions on terminable stocks, these figures would have been of great importance, as showing the yield on an investment of this kind. Unfortunately, the irregularity of the payments and the incomplete state of the minutes make it impossible to determine, in a sufficient number of instances, how much of the total division on a certain stock had been distributed at the time many of the sales were made. A long period elapsed before most of these stocks were wound up, and it might be expected that intending purchasers would have been able to forecast with considerable precision how much

¹ Court Book, II., May 15, 1607.

² *Ibid.*, III., October 13, 1615.

³ *Vide infra*, II. pp. 123-5.

remained to be divided. Therefore the price would be, in fact, the discounting for a period of one or two years a certain payment then probably due. One series of prices is of interest as showing a serious miscalculation. In 1618 the thirteenth voyage¹ had a number of assets as yet undistributed. Since, after 150 per cent. had been divided, the stock was sold from 214 to 218½, it was expected that the "remains" would realize a large sum, but the conflict with the Dutch company precluded the making good of this anticipation. There was only one case in which it was recorded that an adventure was sold below par. This was in 1601, when a share in the first voyage changed hands at only 90 per cent. of the sum paid in. To some extent the sale was a forced one, since the original adventurer was not disposed to pay a further call, then due². Other companies were not so successful as investments. There is a quotation of the £12. 10s. shares of the Virginia company, though belonging rather to the time of crisis in 1621, which was between 40s. and 50s. This was from 16 per cent. to 20 per cent. of the amount paid up³.

During the years of good trade at the beginning of the seventeenth century, the internal affairs of the joint-stock companies were on the whole harmonious. This was especially so in the East India company. There are indications, however, that there were elements in the management, which, though tolerated in good times, would lead to dissatisfaction in a period of adversity. Attention has already been drawn to the payment of moneys to the Crown, of which no account was kept⁴. The same tendency is shown in the concealment of a loan contracted in 1615, which was to be a secret, "in regard the generality cannot suddenly apprehend the true grounds and reasons thereof⁵." Both the East India and Russia companies had many difficulties in preventing private trade by individuals⁶; and, on laxity being shown by the administration, this evil, from the point of view of the joint-stock system, invariably arose.

Those companies, which were less prosperous than the East India undertaking, provide instances of severe criticism of the management. In the Virginia company the dissensions and disorders at the meetings were notorious⁷, whilst amongst the Russia adventurers, after 1619, there were allegations of the voting and other business being conducted improperly⁸.

As a general rule, up to 1620 and for some years afterwards, no special arrangements had been made in the charters as to the relation of

¹ That is the first year's adventure in the First Joint-Stock—cf. *infra*, II. p. 125.

² Court Book, I., July 24, 1601.

³ *Vide infra*, II. p. 276.

⁴ *Vide supra*, p. 142.

⁵ Court Book, III., June 20, 1615.

⁶ *Vide infra*, II. pp. 42, 46, 52.

⁷ *Ibid.*, II. p. 283.

⁸ *Ibid.*, II. p. 56.

the votes to the shares. In most cases the usual clause, which gave the companies powers to make by-laws, was held to provide for the determining of the amount of the qualification. The charter granted in 1604 to the society of Mines Royal was an exception to this rule, since, in it, it is stated "the voice of everyone, having a quarter part, is to be held of as great account as the voices of two others, having but half-quarter parts a piece, and so the voice of any other, having a greater part than a quarter, to be esteemed of as great force as so many several other persons, having but a half-quarter a piece¹." It was the practice of the East India company to decide questions, where there was a difference of opinion, by a show of hands amongst those present at the meeting², and the same method was adopted by the Virginia company up to 1619³. To some extent the natural objection to this practice was minimized in the former case by fixing a minimum holding for voting purposes; but, in the latter, where the share was only £12. 10s. and where moreover members of the council and freemen could attend the courts and vote, there was the risk that a minority of capital might have a large majority of voting power⁴.

Occasionally some light is obtained on the number fixed upon as the quorum at a general meeting. In the Mineral and Battery Works it was twelve persons, and in the New River company five⁵.

It was the practice for the members of the East India company to vote a honorarium to the governor and committees. The first mention of such a payment being made was in 1609, when the meeting passed a motion to grant Sir Thomas Smythe £650 in recognition of his aid in obtaining the charters and of his service for five years as governor. On his re-election, Smythe absolutely refused to serve unless the vote was reduced by £250⁶. This modesty is so widely different from modern practices that it deserves special mention. In 1615 £1,000 was granted to the twenty-four committees, on account of the growth of the business, which required their attendance every day⁷.

Turning from the internal management of the individual company to the relation of these bodies to each other, there are several unexpected points of contact and antagonism. The so-called monopoly, granted by the charters, was no more than the prohibition of subjects of the Crown, other than the discoverers, to use a certain trade route. Therefore unless, as in the case of the Levant company, the further

¹ *Fodinae Regales: Or the History, Laws and Places of the chief Mines and Mineral Works in England, Wales and the English Pale in Ireland*, by Sir John Pettus, London, 1670, p. 56.

² *Vide infra*, II. p. 92.

⁴ *Ibid.*, II. pp. 278–9.

⁶ Court Book, II., July 4, 1609.

³ *Ibid.*, II. pp. 268, 269.

⁵ *Ibid.*, II. p. 415, III. p. 23.

⁷ *Ibid.*, III., September 1, 1615.

privilege of sole importation of a certain commodity was granted¹, the company had to face the competition of foreigners, although this was limited by the higher customs exacted from aliens. Besides it sometimes happened that although each organization was safeguarded in its own route, a number might be competing directly or indirectly. This was the case with the Russia, Levant and East India companies. To all of them the spice-trade from Persia was open—the Russia company brought the commodities, it purchased, over the Caspian Sea and through Russia *via* Archangel or the Baltic², the Levant company through the Mediterranean³, and the East India undertaking round the Cape of Good Hope⁴. The Cossacks had interrupted this branch of the activity of the Russia company after 1581⁵, although it still continued to import such Oriental commodities as it was able to purchase in Russia. At times the competition between the two remaining companies was very keen, and this fact accounts for the antagonism between them for nearly a century.

At the same time, besides opposition of this nature, there were many arrangements for establishing a “community of interest.” In the Mines Royal and Mineral and Battery Works this came about gradually by a number of persons owning shares in both⁶. The Levant and East India companies had joined with the Russia undertaking on different occasions in providing funds for the discovery of a North-west passage⁷. A closer union was the joint-adventure of the Russia and East India companies, beginning in 1618 for a series of whaling voyages⁸. Still more remarkable was the proposition, which had the support of James I., for an amalgamation of the English and Dutch East India companies⁹. This scheme had been developed with considerable detail in 1615, and it is not impossible that if the King had used more tact in his dealings with the company, composed of his own subjects, some arrangement might have been arrived at, which would have rendered the losses, incurred by both bodies a few years later, quite unnecessary. Yet another side of this tendency towards the harmonizing of different interests, through the joint-stock principle, is shown in the settlement of disputes between the privileged undertakings and adventurers, who had opened up a trade within the limits assigned by the charters. If the persons who had entered these trades had been able to establish an organized business, it was usual for the privileged company, when enforcing its monopoly, to purchase the ships and stock-in-trade of their rivals at a valuation, and, in some cases, shares in the company were issued to carry out the agreement. The precedent for transactions of

¹ *Vide infra*, II. p. 86.

² *Ibid.*, II. p. 43.

³ *Ibid.*, II. pp. 83, 84.

⁴ *Ibid.*, II. p. 89.

⁵ *Ibid.*, II. pp. 43, 44.

⁶ *Ibid.*, II. p. 403.

⁷ *Ibid.*, II. pp. 49, 95.

⁸ *Ibid.*, II. pp. 55, 104.

⁹ *Ibid.*, II. p. 103.

this kind was the Act of Parliament in favour of the Russia company in 1566¹, and subsequently the absorption of competing ventures was effected on a similar basis by the East India company in 1614², and by the whaling undertaking, financed by this body and the Russia adventurers, which agreed to purchase all the ships and stores of Cunningham's Scottish company³. In the latter case there was delay in the payment being made, but the principle was important, since it enabled enterprising men to enter the privileged bodies, and provided (in addition to the ordinary means through transfers of shares) for the introduction of those who may have had fresh ideas or who had established new methods for trading with the natives of distant countries.

¹ *Vide infra*, II. p. 42.

² Court Book, III., December 2, 1614.

³ *Vide infra*, II. pp. 55, 104

CHAPTER IX.

THE CRISIS OF 1620—1625.

THE progress of the joint-stock company, during the peaceful years of good trade up to 1619, has been dealt with separately, as showing the organization under favourable conditions. To this there is the necessary complement, which represents the same undertakings during a time of stress. To say that bad years follow good years, at more or less uncertain intervals, is a truism; and, concealed under the fair show of British commerce during the reign of James I., there were elements making for a crisis in the future. The time at which the depression, that was inevitable, would begin to show itself was uncertain and depended on several causes. Capital had been driven out of some of the customary channels for investment, and, about 1614, there had been great activity in the formation of new schemes. The incipient boom had been checked by the partial crisis in 1616-7 in the cloth trade, and capital was directed towards the extension of foreign trade. The strength of this movement is shown by the subscription of a stock, four times greater than any previously taken up, for the East India trade, by the formation of a new whaling company and the establishing of another African undertaking, all in the years 1617-8. Had these ventures been successful, the approaching crisis might have been delayed for some time, but the aggressive competition of the Dutch meant the cessation of immediate profits¹. Therefore in 1620 these trades had begun to suffer severely. Neither the Russia nor the East India companies were able to pay their obligations when due, and the African body had lost all its capital². The great English industry—the cloth trade—had for some years been depressed, and early in 1620 the country began to experience a serious crisis.

Regarded externally, as it was viewed by most of those who considered the matter at the time, this period of depression was described as a monetary crisis. It seemed impossible for any of those, who wrote

¹ *Free Trade or the Means to make Trade Flourish; wherein are discovered the Causes of the Decay of Trade of this Kingdom*, by E. Misselden, 1622, p. 13.

² *Vide infra*, II. pp. 12, 55-8, 107.

reports to the government or who spoke in the Parliament of 1621, to allude to the prevailing bad trade, without attributing the evil to scarcity of coin, or (as has happened in many subsequent crises) to the want of money¹. To this cause was attributed the inability of the farmer to pay his rent, or the merchant to meet his engagements. The range of metaphor was taxed to describe the magnitude of the evil: trade was said to be "at a stand," "to be sick," to be "in a consumption," "to be decayed" or "to lie a-bleeding²."

The phenomena, that marked the appearance and continuance of the crisis, were all the more striking after the years of prosperity. Markets and fairs were sparsely attended, prices for cattle and wool were low, weavers and agricultural labourers were out of work³. There was necessarily a great increase in pauperism; and, as the crisis developed, there were "mutinies" of the unemployed⁴. At Bath, for instance, the clothiers were "much decayed," and many of the weavers were being supported by the city. In Gloucester, by 1622, the trade was described as "growing worse and worse." The local authorities were unable to relieve "the infinite number" of those out of work. Many of these "were in case to starve as their faces did manifest, and they so far oppressed those parts, wherein they lived, that the abler sort of people there were not able longer to mainteyne the same⁵." Cloth-makers, who kept their looms running, only paid the weavers 1s. a week in 1622; and, even under these conditions, the work was carried on at a loss, since in some districts cloth was "almost valueless⁶." Bankruptcies were multiplying, while the rate of interest was higher than it had been for a number of years.

The prevalent impression, that the crisis was due to a "scarcity of coin," was one of those facile explanations, dependent on the taking of the symbol for the thing itself. The credit system of the country was not sufficiently developed to produce a panic through any abuse of credit-instruments. There was no debasement of the currency; and, even

¹ State Papers, Domestic, James I., cxix. 139; *Calendar*, 1619-23, p. 211; *Journals of the House of Commons*, i. p. 527.

² *Proceedings of the House of Commons in 1621*, Oxford, 1766, II. p. 139; *Causes of Decay of Trade amongst English Merchants*, Add. MS. 34,324 ff., 191-5.

³ *Severall Grievances concerning Trade presented to King James I.*, by Sir R. Heath, May 28, 1624: Harl. MS. 2,244, f. 1.

⁴ *Tom Tell-Troath: Or a free Discourse touching the Manners of the Time* [? 1622], in *Harleian Miscellany* (1746), II. p. 407; State Papers, Domestic, James I., cxxii. 41; cxxviii. 50; *Calendar*, 1619-23, pp. 278, 358.

⁵ State Papers, Domestic, James I., cxxx. 61; cxxx. 4: printed in *A Dismal Depression in 1622*, by R. H. Clutterbuck [1883], pp. 9, 11.

⁶ State Papers, Domestic, James I., cxxviii. 49 (1); cxxx. 81; *Calendar*, 1619-23, pp. 358, 393.

though a temporary scarcity of the precious metals may have occasioned some inconvenience, Europe had enough to support the usual level of prices. No doubt in 1620 England was short of bullion; but this phenomenon was a symptom of the malady rather than the true cause of the distress. Not only had the activity of trade been checked, but, through special circumstances, the balance of indebtedness had turned against England in foreign trade. The enterprize of the Dutch and their determination to secure an entrance into various branches of commerce by armed interference, where force could be used without straining international relations—as for instance at the whaling grounds or in the East Indies—meant a necessary arrest of the expansion of exports. The resulting tendency towards depression applied only to the newer branches of commerce, but a much graver decline in English prosperity arose partly from another side of the same competition, partly from the hazardous manipulation of the cloth trade by James I. No industrial measure in the beginning of the seventeenth century was more disastrous in its immediate effects than that aimed at the foundation of the dyeing and finishing of cloth in England by the privileges granted to the New Merchant Adventurers. This movement had a plausible justification, as an effort to remedy the decline in the production of cloth, which had already begun to show itself to a moderate amount. The English cloth-making trade had gained through the wars on the Continent; and, with the recovery of the Low Countries after peace was made, some falling off was to be expected. As suggested in a previous chapter¹, it would have been worth making the experiment of granting a patent for the introduction of dyeing, as a new trade, for a term of years. Unfortunately, the financial necessities of James I. enabled the promoters of the New Merchant Adventurers company to obtain such privileges that the whole trade was dislocated.

It might be expected that, if a crisis were to come, it would have arisen when the industry was disorganized, not after the dyeing privileges had been recalled. As a matter of fact, during the brief period that this grant had been in operation, so much injury was done, that it required many years to recover the ground that had been lost. The Dutch began to make unfinished cloth, and in 1617 it was discovered that they had succeeded in establishing the industry on a firm basis. This meant more than might be anticipated, unless due weight be given to the importance of the export of cloth in the foreign trade of England. In spite of the progress made in the East India and American ventures, the shipping of cloth remained at this period by far the largest part of the exports, and the falling off in 1620 was remarkable. The Merchant

¹ *Vide supra*, p. 143.

Adventurers were selling about one-half of the amount they had been able to dispose of abroad in 1612-3, and the Eastland company little more than one-third. The loss in value, annually, was upwards of half a million in the exports of these two organizations alone, or nearly 25 per cent. of the total amount sent abroad in a year of good trade such as 1613¹. If there be added the further losses elsewhere to this decline in the exports to the Baltic, the whole decrease must have been very great, especially in its ratio to the total volume of goods sent abroad. The depression extended to other textile trades, and, at Manchester, there were 853 pieces of friezes, cottons and bays at the Hall which could not be sold, while it was reported that "there was a far greater quantity of cloth of these sorts lying in the country ready to be sent up, if the market were not so bad²." The responsibility for this loss is to be attributed mainly to the disturbance of the trade from 1613 to 1617, but also, in part, to the manner in which the old company of Merchant Adventurers was re-established. The members had to pay some £70,000 in bribes to secure a new charter; and those, who provided the money, recouped themselves by a tax or imposition deducted from the price offered to the clothiers. In an over-stocked market, this meant that the nett sum, received by the manufacturer, was reduced, first by the competition at home and that further he had to bear this deduction in order to make a sale.

The period, that elapsed between the dislocation of the cloth industry and the crisis, is a striking testimony of the soundness and prosperity of commerce in other directions. There was, however, another cause which aided in delaying the crisis. England was a creditor-country in relation to Holland, and the repayments of the capital, advanced by Elizabeth (under the agreement of 1609), did much towards reducing the adverse trade balance as between the visible exports and imports. When these repayments came to an end, the full force of the decline in the cloth trade was experienced, with the result of the foreign exchanges being at a discount and the export of bullion³.

While the main cause of the crisis of 1620 is to be found in the decline of the cloth trade, in so far as that decline was itself the effect of the financial exigencies of James I., of his extravagance and his desire

¹ State Papers, Domestic, James I., cxv. 109; *Calendar*, 1619-23, p. 157; *Proceedings of the House of Commons in 1621*, i. p. 204; *Severall Grievances concerning Trade presented to King James I.*, by Sir R. Heath, May 28, 1624: Harl. MS. 2,244, f. 1.

² State Papers, Domestic, James I., cxxviii. 74; printed in *A Dismal Depression in 1622*, by R. H. Clutterbuck [1883], pp. 9, 10.

³ *The Maintenance of Free Trade according to the three essentiall Parts of Traffique*, by Gerard de Malynes, 1622, p. 9 *et seq.*; *Center of the Circle of Commerce*, 1623, p. 31.

to make gifts to his courtiers either in money or in kind, the same evil resulted in other burdens on trade which aggravated the depression. In many directions new impositions had been levied, which meant an increase in the cost of production, both for the foreign and the home markets. The rise in English Customs was a contributing cause to the diversion of a great carrying trade to the Dutch. In the latter part of the reign of Elizabeth, her subjects possessed so much of the gains from shipping between European countries, that it had excited the jealousy of the Spaniards¹. By 1621 there had been a great reduction in the number of English ships trading to the Baltic²; and, after allowing for the tonnage employed in the East India and American voyages, it seems probable that this industry was certainly not expanding. Moreover, in addition to the new taxes on trade, there were many indirect burdens, all traceable to the necessities of the Crown or to the efforts made by James I. to reward his favourites. When the debt had become unmanageable and credit all but exhausted, James granted numerous patents, by which he delegated certain administrative functions of the government to individuals, such for instance as the patent for the supervising of ale-houses, which occupied much of the attention of Parliament in 1621. Then again the obtaining of a royal charter involved the bribing of prominent courtiers, and in this way trade was subject to a high indirect taxation, since those who obtained such grants were forced to recoup themselves for the preliminary outlay. In some cases too the facility with which warrants were obtainable for the imprisonment of persons, who were alleged to have infringed some grant, or who refused to pay the agents of the patentee the sums demanded for real or imaginary infringements, constituted yet another strain upon the industry of the country.

Still the burdens of the home-trade were contributory to the crisis, rather as impairing the elasticity, it would otherwise have had, in recovering from the shock of the interference with the cloth trade. Therefore, primarily, the crisis which began in 1620 was one, occasioned by that interference, and which manifested itself in an adverse balance of indebtedness abroad. These facts account for the contemporary descriptions of the period of depression. The farmer depended so much on the sale of his wool, that a great reduction in consumption would necessarily affect him. Owing to a number of good seasons, the price of grain up to 1621 was relatively low, while the importation of cattle from Ireland had reduced the price of stock. For these reasons it is natural that many farmers were unable to pay their rents, and they were obliged to surrender their leases. The interaction of depression, both in agriculture and in

¹ *Calendar of State Papers...in the Archives of Simancas*, 1580-6, pp. 651, 652 quoted *supra*, p. 88).

² State Papers, Domestic, James I., cxix. 142; *Calendar*, 1619-23, p. 211.

the weaving industry, occasioned much distress in the rural and semi-rural districts. So much of the export trade was engaged in dealing with cloth that merchants, whose business was mainly with European markets, also suffered. Nor was any immediate relief experienced from the voyages to more distant countries. In Russia, in the Levant, in the Indies and even in the northern seas, the Dutch were everywhere pressing the advantages they had begun to obtain. The losses in these trades and the postponement of the interest on their loans by the Russia and East India companies injured mercantile credit¹, and the stringency was accentuated by the state of the Crown debt. In September 1616 the debt had been returned at £726,000, while in 1620 it was stated to have been £711,026. 1s. 7½d., exclusive of sums due, not certified, which were owing by the public offices, or close on £800,000 in all². Reductions had been made in the Ordinary Expenditure to the extent of £100,000 a year in the Household, and of £25,000 in the Navy³, while there was an estimated surplus of £47,500, without taking extraordinary expenses into account. Such a statement, however, does not show more than the financial position from the accountant's point of view. The reduction of the extraordinary expenses had been effected by substituting the grant of privileges for money payments, and the burden of the latter was the greater, when allowance is made for the arbitrary proceedings of some of the patentees. Then, as affecting credit in the City, there were the anticipations of future revenue, which, about 1619, amounted to £117,000⁴. Moreover, the method of dealing with the debt was most unsatisfactory. At Michaelmas 1620, out of £99,990, borrowed on Privy Seals by Elizabeth, only £385 had been paid. The carrying on of this debt from year to year was discreditable, in view of the large sums of the Elizabethan loan to Holland which had recently been received by James I. Payments of interest, at the best, were highly irregular. London had provided £117,098. 9s. 8d. on Privy Seals, to which was added a further loan of £96,466. 13s. 4d. at interest in 1618. In 1620 two-thirds of the interest was still unpaid; while at the same time several individuals, who had made advances in 1616, had received neither principal nor interest⁵. The credit of the Crown had become exceedingly bad. In 1619 it was necessary to postpone the funeral of the Queen through want of ready money. Payments by the Royal Household had grown so irregular and

¹ *Vide infra*, II. pp. 55, 58, 107.

² State Papers, Domestic, James I., cxi. 142; cxv. 115; *Calendar*, 1619-23, pp. 110, 158.

³ *Proceedings of the House of Commons in 1621*, I. p. 7.

⁴ State Papers, Domestic, James I., cxi. 142.

⁵ A Collection of His Majesty's debts...at Mich. 1620: Exchequer of Receipt (Miscellanea), 43 (3); *Analytical Indexes to vols. II. and VIII. of...the Remembrancia*, 1870, p. 110.

were so long delayed that tradesmen were in the habit of charging the King double the usual prices for goods supplied to him¹.

When Parliament met in January 1621, two great questions were agitating the public mind. There was a widespread desire that help should be afforded to the Protestants in Germany, whose position was precarious after the battle of Prague, which had been fought on the 29th of October 1620. If British aid were to be given, in addition to the volunteers who had already been enrolled and the money raised by voluntary subscription, it would be necessary for Parliament to vote supplies, and advantage was taken of the opportunity to attempt legislation, that would remedy the prevalent depression.

It is necessary to bear in mind, not only the fact that the Parliament of 1621 endeavoured to stem a crisis by its enactments, but also that, since the cause was believed to be the "scarcity of coin," all efforts were directed towards the attraction of bullion and the retaining of it in England. The committee "concerning the decay of trade," the chairman of which was Sir Edwin Sandys, reported that exports to Spain were paid for by importing tobacco to the value of £100,000 a year, and it was recommended that, in future, no tobacco should be imported except from Virginia and the Bermudas, but that it should be a condition that it must not be sold at a price exceeding 8s. per lb.² The effect of the proposed measure would be, not to prevent the drain of bullion from England, but, so far, to divert it from a foreign country to the plantations. At the same time, when it is recognized that Sandys had framed a scheme for a most comprehensive tobacco monopoly of which he himself was to be the director³, it is difficult to accept the proposals of the committee as being entirely honest. It might indeed be thought that this scheme was conceived with an Imperial instinct; but, unfortunately, there are other suggestions that show a complete disregard of motives of this kind. About a quarter of a million a year was said to be paid in cash to Ireland for cattle, imported thence, and a bill was promoted for the prohibition of such importation under heavy penalties⁴. Steps were also considered for reducing the imports from Scotland, with the same object of keeping bullion in England.

The movement to exclude Irish cattle was framed in the interest of agriculturalists; while the proposal, to prevent the exportation of wool, was designed to assist the cloth trade. Then the spirit, that had already shown itself in a previous period of depression, was manifested in the

¹ State Papers, Domestic, James I., cvii. 54; *A Dismal Depression in 1622*, by R. H. Clutterbuck [1883], pp. 5, 6.

² *Proceedings of the House of Commons in 1621*, i. p. 239.

³ *Vide infra*, ii. pp. 276-8.

⁴ *Proceedings of the House of Commons in 1621*, i. p. 97.

efforts of the mercantile class to secure special legislation¹, as for instance that no shop-keeper in London might engage in foreign trade, and that alien merchants should not be allowed to trade in England².

Another side of the investigation brought up the question of the monopolies. The attention of the House of Commons was re-directed to this subject, in connection with the scarcity of coin. One of the main causes of the dearth was supposed to be the consumption of bullion by the patentees for making gold and silver thread, who were bound to import the precious metals they required, but who were believed to have failed to do so. Immediately numerous abuses came to light; and, during the whole of the Parliament, there was a continuous investigation of the grievances that had arisen.

There were two classes of grants which were subjected to criticism. First patents such as those for registration of inns and ale-houses, of pedlars and itinerant musicians, for the recovery of concealed tithes or Crown lands, as well as many others of a like nature, involved the delegation of certain functions of the administration to individuals. The theory, underlying these grants, appears to have been that, when a "projector" discovered some means by which either the Crown revenue might be augmented or certain abuses reformed, he was entitled to a remuneration which was provided, in the one case, by a percentage on the amount he added to the revenue, or, in the other, by a fee for his services in registering and supervising certain classes of the population that required, or were supposed to require, to be controlled. Several of these patents were justifiable in theory, as is shown by the endorsement of the grant for the licensing of inns by some members of the House of Commons in 1621³. It was the mode of execution, which has given the word monopoly an evil reputation, that is scarcely yet forgotten. The carrying out of the patents for the regulation of inns and ale-houses had occasioned a great amount of scandal. There was no limitation to the fees that the patentees could charge, and a system grew up by which the work to be undertaken, together with the prospective profit, was farmed out for certain areas. Thus, the powers, delegated to the patentees, were again delegated to others in return for an immediate payment. Moreover, these sub-licenses were only obtainable, in certain cases, by bribing an individual patentee to use his influence, in favour of those who had secured his support in this way⁴. Therefore, it followed that the men, who were the actual collectors of the fee, were compelled in their own interests to increase rather than to diminish the number of licenses, so that the disorders, which the patents were designed to reform,

¹ *Vide supra*, p. 124.

² *Proceedings of the House of Commons in 1621*, I. p. 237; II. p. 192.

³ *Ibid.*, I. p. 64.

⁴ *Ibid.*, I. p. 84.

were increased, not lessened¹. Moreover, the agents of the patentees received large powers for dealing with those who refused to pay the fee, and, in 1621, 1,000 persons had been outlawed upon this charge².

The industrial patents were not numerous. As a rule the grant, at its inception, was defensible, either in the modern sense of a new invention or of a trade which, as introduced from abroad, was new in England or again (though this was disputed) as an industry, which was new in the sense that it had been previously started, but had died out before it had been re-established by the patentees. In several cases, abuses crept in, first, through the privileged persons being the "inventors" in the foregoing sense, not of a distinct trade, but of some process. For instance, two of the grants related to the making of glass and the smelting of iron, by coal, instead of by wood as had been the practice previously. In the case of the patented process for glass-making, the importation of foreign glass was prohibited, and in other ways the tendency was for the whole industry to fall under the control of those who were originally intended to develop a new process³. Two methods were adopted for diminishing the consumption of wood in glass-houses. In the one group of cases, the proprietors received a pension, on condition that they would cease to manufacture. In this way Sir Jerome Bowes, who held a patent granted in 1606, was to obtain £1,000 a year, and three others, amongst them, £450⁴. The other plan was to interdict the owner of an existing glass-house, and then license him to re-commence work, on condition that he paid a royalty to the patentees. In one instance, an agreement was produced, where the royalty was 12½ per cent.⁵ It is surprising, although the patentees had by these means acquired the control of the whole glass industry, that prices were not higher. They had the sole right both to import and to export, while any glass works, owned by independent manufacturers, were forced to pay them a royalty. Apart from the monopoly, some rise in price was inevitable if the undertaking was to pay its way. The original outlay was £5,000, but when men like the Earl of Montgomery and Sir Robert Mansell were admitted into the partnership in 1615, they became entitled to a share of the prospective profits. It is doubtful if they paid anything; their influence at Court being regarded as a contribution to the capital. But, the first promoters would expect at least reasonable interest on their investment, and therefore the assumption of the new partners would have the same effect towards a need for increasing profits as the "watering" of the stock of

¹ *Proceedings of the House of Commons in 1621*, i. p. 79.

² *Ibid.*, i. p. 156.

³ State Papers, Proclamations, James I., No. 42.

⁴ State Papers, Domestic, James I., Lxxv. 9; *Calendar*, 1611-8, p. 207; *Proceedings of the House of Commons in 1621*, ii. p. 72.

⁵ *Proceedings of the House of Commons in 1621*, ii. pp. 71, 72.

a company. Besides, although the pensions to glass-makers were payable in the first instance by the Exchequer, the burden of them must fall eventually on the industry. In view of these outgoings, the rise in the price of glass was moderate; since glass, sold in cases, was dearer by not more than 30 per cent., while looking-glasses were sold at less than those that had formerly been imported, though there was a conflict of evidence as to the quality of the English mirrors. It is interesting to notice the certificate of Inigo Jones in this connection, from which it appears that James I. had to pay £150 a year more for the glass, used in the Royal Palaces, than had been usual before the patent¹.

It is plain that the abuse in the patent for glass was not in the principle of the protection of a new invention, but in the further privileges, that were accorded to make the protection effective. In this respect the mistake, already made in the cloth industry, was repeated; and, in order to effect an improvement, the trade, already in existence, was endangered. It is to the credit of the patentees that they enforced their monopoly by moral suasion, rather than by physical compulsion. Only one case of the imprisonment of a person, who infringed the patent, is reported; and, on the matter coming to the notice of the partners, he was at once released².

There were other instances where patentees showed less consideration. Attention was directed towards the execution of grants for the erection of certain lighthouses. These were of the nature of a local monopoly, such as the toll for the use of a bridge, or for entrance of a market. Trinity House was unable to erect a sufficient number of beacons; and persons, who took the risk, reimbursed themselves by a charge of a small sum on the tonnage of ships that passed the place where the light was placed. The charge, against the owners of the lighthouse at Dunge Ness, was that Trinity House had approved of the building, on condition that it should be of stone and that the charge was to be 1*d.* per ton, whereas the patentee charged 2*d.* per ton for supplying an arrangement of lanterns, suspended from masts. Somewhat different complaints were made against the owners of the light at Winterton Ness. It was stated that the outlay of the patentee had been only £600, and the cost of upkeep was £130 a year, whereas he received £1,500 a year from the owners of vessels, sailing from Newcastle to London. In defence of the action of the patentee, it was urged that the cost of obtaining his grant and of building the lighthouse was £6,000 with an annual charge of £300 a year. This would give a return of 20 per cent. or double the rate of interest on good security. Considering the risk, this was no more than

¹ *Proceedings of the House of Commons in 1621*, II. p. 73. A careful account of the glass patent is given in *English Patents of Monopoly*, by W. Hyde Price, pp. 71-7.

² *Proceedings of the House of Commons in 1621*, II. p. 40.

a moderate yield on the investment, but what is really instructive, is that, assuming the figures are even approximately correct, an altogether disproportionate amount was paid for the obtaining of the patent. This was where the real grievance lay; since in this, as in other cases, the sums payable to influential persons at Court by those who sought for grants, constituted a great drain on industry¹. In some respects the patent granted to George Wood is of interest. This grant was intended to encourage an invention for the printing of linen, and in it £10 a year was reserved to the Crown, while £200 a year was payable to those, who had been influential in procuring the privilege. As in other cases, the price of linen advanced, and so-called "infringers" were imprisoned. It is recorded that Wood sold shares in his monopoly "for 2s., 3s., 5s., 10s., 40s. or anything he could get," while the purchasers again sold to others². This was an anticipation of the methods of promoters during the boom from 1692 to 1695, when the procedure adopted was described in similar terms³.

In the execution of the patent for bringing live fish to the London market from Ireland, there were several kinds of interference with the personal rights of individuals. The agents of the patentees were said to have intercepted fishermen at sea and to have seized forcibly their catch. Like the partners in the glass monopoly, they interfered with the industry, already in existence, by compelling the long-shoremen to sell them lobsters at £4 a hundred, for which they obtained £6 a hundred. Charges were made of their breaking open houses to search for lobsters and of imprisoning those who were alleged to have contravened the patent⁴.

These abuses, serious as they were in interfering with the personal liberty of the subject, were quite negligible, as compared with the malpractices of the patentees for making gold and silver thread. It was the existence of this grant which, from its alleged tendency to increase the scarcity of coin by consuming bullion, first re-awakened the interest of the House of Commons in the monopolies. As far back as the reign of Elizabeth there had been a patent for this industry, which was considered deserving of encouragement in order to provide employment. Accounts differ as to whether the trade had died out early in the reign of James I., and, according to one statement, it was necessary to import a foreigner to teach the art. In 1611 a patent was granted, which

¹ *Proceedings of the House of Commons in 1621*, i. pp. 268, 269.

² *The Particular Grievances of those...which lye under the oppressions of George Wood's Patent for the sole printing of linnen cloth [1624]*, Coll. Broadside, Soc. Antiq., No. 222.

³ *Vide infra*, Chapter xvii.

⁴ *Proceedings of the House of Commons in 1621*, i. p. 295.

continued in existence for some years and which was renewed with extended powers in 1616. As yet, the industry was the ordinary case of a new invention; and, since the art was easily learned, there were many infringements, with the result that the patentees had not been successful. In 1618 Sir Giles Mompesson formulated a scheme, according to which the manufacture was to be transferred to the Crown as a royal monopoly, in the expectation that James I. would receive a profit of £10,000 a year, while the patentees were to be compensated by the grant of moderate pensions.

The gold-thread industry, as a royal monopoly, was conducted with a reckless disregard of the most rudimentary commercial morality. The silver and the silk were "sophisticated" shamelessly. Lead or quick-silver was mixed with the silver; and a workman was brought from Italy, who could dye silk "with an advantage of weight," whereby an addition of one-third was made¹. When it is remembered that the thread produced was sold by weight, the dishonesty of this course will be apparent. The ordinary *modus operandi* was simplicity itself. The artisans were bound to produce a certain amount each week, neither more nor less, and they were forced to pay nearly 60 per cent. of their earnings to the Commissioners, who were appointed to supervise them².

The effect of these methods was to increase the quantity of thread, made by persons who infringed the monopoly, and the harshest measures were adopted to force them either to cease work or to bind themselves to the Commissioners. It was shown that Mompesson threatened wire-workers, who withstood him, that he "would fill all the prisons of London with them and that they would rot there³." Sir Edward Villiers used similar language⁴, and this was surpassed by the brutality of the agents, one of whom, in addition to arresting a workman, threatened "to pull the flesh from his jaws and to starve his wife and children⁵." The depositions of the wire-drawers before the House of Lords show that these were no mere empty threats: great violence was used in making arrests; and those seized, often only on suspicion, were detained in prison for long periods⁶.

The fact that the so-called gold and silver thread patent was a royal monopoly, made it more difficult for Parliament to prevent similar abuses in the future. The blame was of course laid upon Mompesson and the other active commissioners, and a part of it fell on the law officers, who

¹ *Proceedings of the House of Commons in 1621*, I. p. 123.

² *Ibid.*, I. p. 125.

³ *Ibid.*, I. p. 126.

⁴ *Ibid.*, I. p. 156.

⁵ *Notes of Debates in the House of Lords*, taken by Henry Elsing, 1621 (Camden Soc. 1870), p. 141.

⁶ These depositions are printed in *Notes of Debates in the House of Lords*, *ut supra*, Appendix II.

had approved of the issue of the warrants for imprisonment of infringers.

It was felt that, though under the pressure of Parliament James I. might be induced to recall most of the patents, as he had done before, some step should be taken, which would prevent the recurrence of the most gross abuses. Before the end of the session, out of nineteen grants that had been condemned, thirteen had been "decried" by proclamation, leaving the glass and lobster patents, those for the two lighthouses and a pair for the sole drawing of bills of pleading in different districts, still in being¹. The method adopted by the House of Commons was to proceed by a bill "against monopolies," which measure began by stating in general terms that many grants, obtained by false pretences of advantages to the public, had occasioned great grievances and inconvenience. It was therefore proposed to be enacted that any privileges of a monopolistic nature, either already granted or to be granted in the future, should be void and subject to trial at common law. There were however several important exceptions. A proviso was inserted to legalize the sole working of "any manner of new manufacture within this realm," for a period of 21 years or 14 years. Moreover, the measure was not to be construed as diminishing the privileges of any city or borough, nor was it to apply "to the corporations, companies or societies of merchants²." This bill did not become law in 1621; but in the next parliament, in 1624, it passed both Houses after a number of additional provisos had been inserted by the Lords. The act, as revised, fixed the period, during which a new invention was to be protected, at 14 years; and it excepted, in addition to the provisos of the bill, any grants confirmed by act of Parliament, the powder, ordnance and printing industries, alum mines (which were to remain a royal monopoly), the privileges of the Hostmen of Newcastle, the glass patent, as well as another for the transportation of calf-skins, and the grant for the making of smalt, also that to Dudley for smelting iron with coal³.

There was nothing in this act that had not been long recognized as what should be the practice in England; indeed, in some respects, as for instance in excluding from its provisions the trading companies, it was more moderate than might have been expected. In the interval between 1604 and 1624 there had been a considerable change in public opinion, which at the later date had returned more to the attitude of

¹ *Proceedings of the House of Commons in 1621*, II. pp. 347, 348.

² Printed in *Notes of Debates in the House of Lords*, 1621, pp. 151-5.

³ *Statutes*, IV. pp. 1212-14; *The Institutes of the Laws of England*, by Edward Coke, London, 1797, VI. pp. 182-4—with reference to Dudley's invention *vide infra*, II. pp. 464, 465.

statesmen in the reign of Elizabeth¹. Companies for foreign trade were generally admitted to require extensive immunities, since they performed functions which the State was not able to undertake. At the same time, it is to be noted that the existing bodies were far from escaping criticism, but this was directed, not (as in 1604) to their being endowed with a monopoly, but in relation to certain features in the individual organization of each company. In accordance with the dominant idea of the Parliament of 1621, the East India company was charged with being responsible for the decline in the stock of bullion in the country, but it was able to provide a fairly satisfactory answer. In fact the only complaint, that could have been fairly made from this point of view, was that the capital lately invested in the undertaking was in danger of being lost, and so an unprofitable foreign investment was to be added to the other causes of the crisis as an element in the adverse balance of indebtedness².

The African company was mentioned in the House of Commons, both in 1621 and 1624. By the proviso in favour of companies in the bill and the act against monopolies, it should have been exempt from the scope of these measures. In this case there was a distinct peculiarity, which however was not mentioned in the proceedings. There had been two previous African companies and therefore the monopoly could not be justified as the discovery of a new trade. But, according to Elizabethan practice, it was recognized that, either re-discovery, or the effective prosecution of a branch of foreign trade was a sufficient ground for exceptional privileges. This was covered by the clause in early grants, which stated that certain places had "not been commonly frequented" by English merchants. Still, there was the great irregularity in the patent, granted by James I., that it gave the monopoly of the whole explored African coast, whereas the previous grant of Elizabeth had limited the area of the privileges to the district between the Senegal and the Gambia³.

The affairs of the Russia company came before the House of Lords solely in relation to its methods of finance. These intricate proceedings are detailed in the full account of the company⁴, and they are of interest, chiefly, as showing the risks to which owners of capital were sometimes subjected, through the joint-stock form of organization. When this body co-operated with the East India company, in forming a subordinate undertaking for whaling, it had raised the capital required by contracting loans on the security of its property and privileges.

¹ *Consuetudo, vel Lex Mercatoria*, by Gerard de Malynes, 1622, pp. 210, 217; *Free Trade or the Means to make Trade Flourish* [by E. Misselden], 1622, pp. 66-84.

² *Vide infra*, II. pp. 105, 106.

³ *Ibid.*, II. pp. 12, 13.

⁴ *Ibid.*, II. pp. 57-65.

Thus, the position of those who found the capital, was analogous to that of the modern debenture-holder. About 1620 the company sustained many misfortunes. The joint-adventure in whaling was a failure, and the Russian trade had declined. There were not sufficient funds to pay interest on the debt, but, considering the large divisions paid from 1608 to 1615, even after an assessment had been made on the stock, the proprietors still retained substantial gains. Unfortunately the company endeavoured to evade its obligations. The old stock was wound up, and a new one formed, which contracted to pay a large sum for the assets transferred. Then two separate companies were established—the one for whaling and the other for the original trade to Russia. The result was that those, who were endeavouring to recover arrears of interest, were refused by each of the three bodies on whom the liability might rest. Not only so but an order of the Lords was evaded by what was characterized as “gross juggling” in the accounts¹.

The depression was greatly accentuated by the appearance of plague in 1625. During four weeks in August, the deaths in London numbered 16,455; and, during the year, the total assigned to this cause was 35,417. Moreover, the mortality, attributed to other diseases, was more than double the average, so that it is probable that the ravages of the pestilence were even greater than those shown by the returns². The distress following the interruption of trade was accentuated by bad seasons. The harvests in 1622 and 1623 were below the recent average. In a time of good trade, the consequent moderate rise in the price of grain would not have been greatly felt; but, when work was scarce and wages low, the effect was to increase the prevailing distress of the working classes. The cloth trade was still in a stagnant state, and in 1624 no less than 12,000 weavers were out of work³. The continuance of the crisis had concentrated attention on the industrial condition of the country; and, when Parliament met in 1624, much juster views had been formed than in 1621 of the causes of the depression. The more clear-sighted began to recognize the true cause of the crisis. It was seen that the great decline in trade was in the woollen industry, where the loss in the reduced price of wool alone was estimated to amount to half-a-million a year⁴. Moreover, the “new impositions” continued to increase to such an extent that it was declared that, if they continued, they would “tend to the utter destruction of the kingdom⁵.” It was

¹ *Vide infra*, II. p. 60.

² *Natural and Political Observations...upon the Bills of Mortality*, by Capt. John Graunt, London, 1665, p. 174; *London's Lord have Mercy upon Us*, 1665, in Somers' *Tracts* (1750) VII. p. 54; *Historical Account of Several Plagues*, by Dale Ingram, 1755, p. 2.

³ *Journals of the House of Commons*, I. p. 711.

⁴ *Ibid.*, I. p. 752.

⁵ *Ibid.*, I. p. 753.

not only the very high Customs that were oppressive; but in addition, through the prevailing laxity of the administration, the farmers were exacting sums over and above those recorded in the book of rates. It follows that taxes on commodities, in certain cases, were immensely high. The merchant had to pay the original and statutory duties; these had been augmented by the new and additional impositions, and it might be that he would be forced to disburse a further sum at the will of the officials of the custom-house. Both the causes of depression—the decline in the cloth trade and the burden of taxes—were to be attributed to the financial difficulties of James I.; who, when he could no longer borrow, had been forced to increase the Customs, or to allow the farmers to add to the duties, while the original interference with the cloth trade had been undertaken at the instance of courtiers, who obtained funds from the promoters of the charters, at a time when the condition of the Crown finances precluded the royal favour being shown by large gifts of money. Thus, some of these men received payments from the foundation of the New Merchant Adventurers and again from the re-incorporation of the members of the old company. The disadvantageous effects of the disorganization of the cloth trade were lasting in the reduction of the total exports; and, in the consideration of the situation by Parliament in 1624, comment was directed to the increase in the dues charged by the Merchant Adventurers. A part of these was shown to be attributable to higher taxation abroad, and the rest is to be assigned to the cost of gaining the charter of 1617. The whole discussion is of interest as an evidence of the state of feeling, regarding the need for a monopoly in the conduct of a certain foreign trade. It would appear that, by the corruption of the Court in 1617, an important opportunity was lost, since the experiment might have been tried of making the trade in cloth to the Baltic open to all Englishmen¹. The circumstances of the case differed from the position in India or the Levant; for, in Germany or the Low Countries, there was a settled government, which might have been expected to afford protection of life and property to the English merchants. It is therefore surprising that the Parliament of 1624 did not condemn the monopoly of the company, instead of contenting itself with passing resolutions in favour of rendering the export of certain new textile fabrics (which had been introduced into England after the Adventurers had been incorporated by Elizabeth) open to the enterprize of merchants who were not members of the organization². This proposal would have

¹ A Discourse of Free Trade against Incorporated Societies (MS. 862 G. 4. 13, No. 5, Lib. Trin. Coll. Dublin).

² *Journals of the House of Commons*, i. p. 780.

left the earlier trade in white cloths under the complete control of the company.

The judgment of the House of Commons during a period of crisis cannot be accepted as a guide to the best opinion of the time, for it was often swayed by the temporary exigency of some particular interest. The "decay of trade" frequently evoked demonstrations in favour of the mercantile class as such. This tendency is shown in the approbation by this Parliament of the policy of restricting membership of trading companies to "mere merchants," and in the efforts of that of 1621 to exclude tobacco imported from Spain in favour of the produce of the plantations¹. For these reasons the *bona fides* of the House of Commons cannot be accepted without further enquiry.

In this case, there seems to be more to be said for the continuance of the monopoly in undressed cloth, than might have been expected from a superficial examination of the evidence. The State, at this period, was not able to take efficient steps to secure an extension of the foreign market for English goods. Permission to trade in a foreign country on favourable terms was only obtainable at a certain price. The governments there expected that the aliens, they admitted to bring in certain commodities, should contribute to the needs of the sovereign, by supplying financial assistance from time to time. To collect capital, when it was required, involved some organization. This organization, in order to escape as much as possible from the jurisdiction of the foreign courts, became responsible for the conduct of the merchants of the country to which it belonged; and, in return for its loans, relaxation in the Customs against foreigners was granted to it. The privileges, secured by the Merchant Adventurers, were valued at a large sum in 1624², and the problem arose whether the right of free entry, personal security and low Customs abroad could be obtained without the existence of a body of this kind. This is the ultimate antithesis, for there was no possibility of the company continuing to exist, if there were no advantage attached to membership. It is clear, too, that the Adventurers would not be wise in becoming responsible for English merchants, over whom they could exercise no authority, nor was it equitable that non-members should obtain the whole benefit of favourable import duties, which had in fact been purchased by services rendered by the company. For these reasons, it is probable that an open trade to the Baltic would have meant the dissolution of the company; and, in this connection, the proposals of the Adventurers, on several occasions, to surrender their charter are significant. Supposing, then, that the company had ceased to exist, it

¹ *Vide supra*, p. 172.

² *Journals of the House of Commons*, i. p. 784.

would follow that, as things were at the beginning of the seventeenth century, the privileges it had obtained abroad would lapse, for there would be no object in the foreign governments continuing them. English merchants would then have imported their cloth into the Low Countries and Germany as non-privileged, not as privileged aliens; and they would have been at a disadvantage in doing business, in having no strong body behind them to enforce protection of their goods or the recovery of debts due to them. Moreover, an individual trader, who dealt fairly, would be always in danger of the seizure of his property, and even sometimes of arrest, should a fellow countryman have given any serious cause of complaint. Taking these circumstances into account and considering the state of international trading relations at the time, it appears probable that England would have lost more than would have been gained by a completely open trade to the Baltic. The element in the whole situation, that pressed most hardly on the capitalist, was the fact that the companies were, to some extent, made the scape-goats of the extravagance of the Court. The large sums, extracted from them in this way, constituted a burden on the producers and consumers—the former receiving lower prices than would otherwise have been the case and the latter having to pay more. The incidence of an increased duty may have been recognized to some extent, but few, if any, could have noticed the effects of the benevolences and bribes that had to be paid by the companies, which bodies were in the unfortunate position at a parliamentary enquiry of being unable conveniently to adduce in evidence the charges of this character, to which they were subjected.

The crisis of 1620 left its mark to some extent on the plantation companies. In 1624 certain regulations made by Fernando Gorges (who had been granted the tract of country, that afterwards became the province of Maine, by the New England company¹) were criticized by the House of Commons². On the other hand, the dissolution of the Virginia company in 1624 is to be attributed to political forces and to the dissensions of the members. This event may be taken as marking the end of a period in the history of British colonization. Two of the plantation ventures had come to an end—the First Virginia company by dissolution and the Second by its failure to carry out the objects, for which it had been incorporated. Both the Somers Islands and the New England companies had reached the stage at which divisions of land had been made, and already subsidiary undertakings, such as the Adventurers to New Plymouth and the Laconia company

¹ *Vide infra*, II. pp. 300, 304.

² *Journals of the House of Commons*, I. pp. 688, 697; *Sir Fernando Gorges and his Province of Maine*, by J. B. Baxter, Boston (Prince Society), 1890, I. p. 119.

were established. Finally, the Scottish scheme for effecting a settlement in Canada was in process of development, and funds were being provided by the creation of the title of Baronet of Nova Scotia, which was added to the inducement of the division of land¹.

The most remarkable feature of this movement was the exceedingly small capital required to found the British Empire in America. The companies were responsible for providing ships to convey colonists to their respective areas, for defending them when there, and for carrying on the government of the plantation. Once the country had been surveyed, the shareholders received their dividend in land, and the outlay for the cultivation of it was provided by the owner. The total outlay by the Virginia company under these various heads was said, in 1623, to have been £200,000². Probably this was an overestimate, and, in any case, it is to be remembered that only £36,862. 2s. 9d. was paid in on account of shares in the joint-stock, the remainder being provided by the adventurers individually in developing their divisions of land, by lotteries and by subscriptions to the subsidiary undertakings³. Then, with regard to the Somers Islands, the disbursements were returned in June 1622 as 100,000 marks "and upwards⁴." In order to make this estimate end at the same time as that relating to the Virginia company, it may be calculated that the whole outlay, from the general stock and by individual shareholders up to 1623-4, was in round numbers about £75,000. This was by far the larger part of the expenditure on colonization proper in the first quarter of the seventeenth century. The settling of the territory, originally assigned to the "Second Virginia company," had as yet made little progress. That area, as shown elsewhere⁵, was being used in connection with the fishing trade. In no case, as far as is known, was the outlay on colonization, north of the land granted to the First Virginia company, of any considerable amount. Judging from the size of expeditions sent to the Sagadahoc settlement, the capital provided by the adventurers was small. That of the New England council cannot have exceeded £2,000; while that of the New Plymouth Adventurers was returned at £7,000 in 1624⁶. Besides these, there were the Laconia company⁷, the beginnings of the Scottish project in Nova Scotia⁸, and the remaining land-grants from the council of New England, as far as these had been occupied up to 1624. In view of the small amount of

¹ *Vide infra*, II. pp. 263, 287, 288, 299, 300, 304-7, 315, 318, 319.

² *Ibid.*, II. p. 287; cf. *Records of the Virginia Company*, II. p. 411.

³ *Vide infra*, II. pp. 288, 289.

⁴ *Records of the Virginia Company*, II. p. 48; cf. *infra*, II. p. 287.

⁵ *Vide infra*, II. pp. 300, 301.

⁶ *Ibid.*, II. pp. 299, 311.

⁷ *Ibid.*, II. pp. 315, 316.

⁸ *Ibid.*, II. pp. 318, 319.

colonization, actually effected north of the territory of the Virginia company, it may perhaps be calculated that up to this date £25,000 would cover the total outlay on this region. Adding this sum to the total already arrived at for the Virginia and Somers Islands companies, the whole expenditure on colonization in North America up to 1624 may be taken to have been £300,000.

Capital outlay on plantations in North America up to 1624.

Name of Company				Total outlay
The First Virginia Company	...	...	...	£200,000
The Somers Islands Company	...	...	...	£75,000
The New England Council	...	...	...	£25,000
The New Plymouth Adventurers	...	...	...
The Laconia company, other partnerships and plantations by individuals	...	...	...
Total	...	...	...	£300,000

From the point of view of the shareholder, the main return on his investment was the land-dividend he obtained. This was relative to the number of acres divided per share and to the amount paid up on the share.

The subscribers in the Virginia company were entitled to 100 acres of land for each share of £12. 10s. that they owned. This division was increased, on the actual occupation of the grant, in proportion to the number of persons transported to it. Thus the cost of land in Virginia to the shareholders varied from 2s. 6d. to perhaps 5s. per acre on the basis of the value of the shares at par¹. The rate per acre in New England was even lower, but that company did not perform as many services for the settlers in developing the territory to be settled. Low as some of these rates were, they might be further reduced, if any value could be placed on the remaining rights of the members in plantation companies after the land divisions had been made. The Bermuda company, for instance, continued to exist long after the land had been assigned. It had the right, under its charter, of acting as sole agent for the trade with the plantation. Out of the revenue obtained from this source as well as from undivided land, the expenses had to be paid, and the balance was available for dividends from time to time².

¹ *Vide infra*, II. pp. 250, 255, 256.

² *Ibid.*, II. pp. 289-97.

CHAPTER X.

FROM 1624 TO THE CRISIS OF 1630.

IN spite of the plague in 1625, trade in that year began to improve, and there were several indications that the period of depression had come to an end. For instance, by July 25th, it was recorded that the cloth-trade had "quickenened," and that there were then no complaints of the decay of the industry¹. For this reason, as well as through the revival of trade, pauperism was less than it had been since 1620; and, with the growth of the wool trade, other occupations shared in the return of prosperity.

At the same time, there were many factors which prevented the years from 1626 to 1630 from being more than partially good. Although the cloth-trade had shown improvement, it is probable that it had not recovered from the ill-advised interference of James I. from 1613 to 1617. Some of the foreign trades (such as those to the East Indies and Africa²) had suffered serious losses of capital during the crisis, and the situation was still too uncertain to justify the risking of further considerable resources.

The chief element, that limited the reviving activity of trade, was the state of foreign politics. After a long period of peace, England had at length become involved in hostilities with Spain. While the successive unfortunate expeditions of Mansfeld to the Netherlands and the operations at Cadiz and the Isle of Rhé were exceedingly galling to the pride of the nation, they exerted no direct effect on the condition of industry. Nor was the cost a serious burden, in view of the accumulation of wealth during the period of peace. At the same time, the fact that the country was at war, occasioned some disturbance of trade by the closing of certain markets and, still more, through the attacks on shipping by privateers in the Channel. Much more important than either of these, both in immediate and remote effects, were the methods by which the struggle was financed.

¹ *Debates in the House of Commons in 1625*, edited by S. R. Gardiner (Camden Soc. 1873), p. 39.

² *Vide infra*, II. pp. 12, 13, 104.

Towards the close of the reign of James I. the amount of the annual deficits had been considerably reduced. It is true that the improvement was more apparent than real. Extraordinary receipts had come to the rescue of the usual revenue, and gifts to favourites were made in kind rather than in money. For these reasons, the debt, which had been about three-quarters of a million in 1617, was not very materially increased¹, except by the addition of arrears of interest. By 1620 it was recognized that the repayment of the sums lent was scarcely to be hoped for, while the interest that had accrued was recorded rather for the sake of completeness than with any serious intention of finding funds to pay it. Thus it is noted, in an account of this time, "that interest was set down till March 1620, yet we leave it to His Majesty and the direction of the Lords how much shall be paid thereof²." The same spirit of extravagance and neglect of financial uprightness had permeated the various public services. The administration of the Navy, of the Customs and the Exchequer, was corrupt; and the fall of Bacon showed that the purity of justice was certainly not above suspicion. The proceedings against Middlesex, the Treasurer, in 1624 tended to concentrate attention on details of the finances rather than to present a general view of their condition. For the two years, ending Michaelmas 1623, the Ordinary Revenue exceeded the Ordinary Expenditure by £32,000, but, in the next half year, the issues were greater than the receipts. Unfortunately, during the same period the Extraordinary Expenditure came to over £660,000, without taking account of money owing for interest and to pay for powder. As against this great outlay, there were extraordinary receipts, such as a further impost on wines, and the remainder had been met by additional loans, with anticipations of the rent due from the farmers of the great Customs³. The rest of the expenditure had been provided by borrowing to a limited extent. If however James I. went to war, he would be at once plunged into difficulties, through the want of further credit. It was the fashion at this period to speak of the penuriousness of Elizabeth, with a view to justifying the lavishness of James I. The difference in the finances of the two sovereigns was nowhere more marked than in the methods, adopted by each, in dealing with the Crown debt. When Elizabeth borrowed and contracted to pay interest, she met her engagements, while the Privy Seal loans (on which no interest was payable) were all discharged during her reign with the exception of one contracted in 1597, to meet which there were funds

¹ *Vide supra*, pp. 142, 148.

² Exchequer of Receipt (Miscellanea), 43 (3).

³ *Debates in the House of Commons in 1625, ut supra*, pp. 24, 25; State Papers, Domestic, James I., clx. 63; *Calendar*, 1623-5, p. 185.

coming into the Exchequer soon after her death. This obligation remained undischarged all through the reign of James I., and only a fraction of similar loans, made in 1614, had been repaid. Other liabilities, incurred in the previous reign, were still outstanding—as for instance a portion of the money borrowed from Pallavicino in 1583¹. Even more significant is the complaint of an executor, who, after paying the sums owing by the deceased, found himself out of pocket, through being unable to collect a number of bad debts, prominent amongst which was one of £750 due by the King². Moreover, the leases of the Customs had been made with a clause, enabling the farmers to obtain a “defalcation” or rebate in the event of war being declared³. In these circumstances, it was absolutely necessary that Parliament should be summoned. However, though both James I. and the Commons were agreed on the desirability of war with Spain, each party differed as to the motive. James I. was prompted mainly by the desire to aid in the restoration of his son-in-law in the Palatinate. Parliament represented the ideal of the statesmen of the time of Elizabeth who believed that it was to the interest of England to aid the Protestants on the Continent. While each of these objects involved hostilities against Spain, the scope of the operations required would be very different. James I. had in view extensive preparations which would involve great expense, and it appears that as much as three-quarters of a million to a million a year was contemplated. On the other hand, many members of the House of Commons remembered the success that had attended the raids of the privateers, and they were inclined to regard a renewal of this method as likely to yield the best results. The immediate outlay would not be large. It would have been necessary to spend money on the Navy, in repairing coast defences and in garrisoning Ireland. The adoption of expeditions against Spanish America might be made to pay their way, and such ventures would, in any case, inflict losses on the enemy, altogether out of proportion to the cost incurred. It was possibly from this point of view that Coke declared the country “never throve so well, as when it was at war with Spain⁴.” If these opinions were prevalent in Parliament it was only to be expected that a Committee, on being informed by James I. that he required ten-tenths and ten-fifteenths for the war and two-tenths and two-fifteenths, annually, towards paying off his

¹ State Papers, Domestic, James I., xxxviii. 21; *Calendar*, 1625–6, pp. 458, 459.

² *Ibid.*, cli. 80; *Calendar*, 1623–5, p. 70.

³ *The Parliamentary or Constitutional History of England*, London, 1751, vi. p. 94; *The Proceedings and Debates of the House of Commons in the Sessions of Parliament begun the twentieth of January, 1628*, collected by Sir Thomas Crew, 1707, p. 118.

⁴ State Papers, Domestic, James I., clx. 63; *Calendar*, 1623–5, p. 185.

debts, heard the proposal "with such amazement that there was not one 'God save the King' heard as they went away." Subsequently, Buckingham endeavoured to explain that the whole twelve-tenths and twelve-fifteenths were needed for the war; but Parliament was not satisfied either with the amount asked nor that it would be spent as proposed¹. Eventually, one-quarter of the sum required (*i.e.* three-tenths and three-fifteenths) was voted, on the condition that it should be disbursed by persons appointed by Parliament². As the money came in, it was used to prepare the expedition of Mansfeld; and, by December 1624, the sums collected up to that time had been exhausted. It was only through a loan raised by Charles, on the security of his revenues as Prince of Wales, that the ships were enabled to put to sea at the end of January 1625. By this time the preparations already made would have consumed much more than the amount voted by the Parliament of 1624. There were, however, many additional engagements contracted, which, had they been carried out, would have required the provision of over a million during the current year³. By July 20th, 1625, there was absolutely no money in the Exchequer, and the future income from the Customs had been anticipated⁴. Therefore, there were urgent reasons for obtaining further supplies from Parliament, which had met in May. There appears to have been every disposition to credit Charles I. with the best intentions; and, had he taken the members into his confidence, it might have been possible for a large grant to have been obtained. Unfortunately, neither he nor his advisers realized that, while the war was popular in the abstract, the manner in which it was being conducted did not meet with approval. Moreover, James I. had undertaken to furnish a statement of how the subsidy of 1624 had been expended. No such particulars were given, neither was any definite sum asked for the future. Charles I., in his speech at the beginning of the session, contented himself with "suggesting such supply as the greatness of the worke and variety of provision did require⁵." The debate on the amount to be granted "wavered a good while." There was considerable difference of opinion on the propriety of continuing the taxation of personal property (or "the fifteenths"); and, when it was agreed to levy on the usual basis of both tenths and fifteenths, the number to be granted was disputed, some proposing only one of each, others four. Finally two-tenths and

¹ State Papers, Domestic, James I., CLX. 89; *Calendar*, 1623-5, p. 191.

² *Statutes*, IV. p. 1247.

³ *Debates in the House of Commons in 1625*, p. vi.

State Papers, Domestic, Charles I., IV. 92; *Calendar*, 1625-6, p. 67.

⁵ *Debates of the House of Commons in 1625*, p. 1.

two-fifteenths were voted¹. These were to be paid in two instalments at an early date. In addition, the clergy had voted three subsidies each of 4s. in the £, which were payable in six equal parts, half-yearly, beginning on December 1st, 1627².

The supply of 1625 was estimated to have produced about £120,000³, and this fell very far short of the engagements that had already been incurred. The subsidies of 1624 had been collected by the persons appointed by Parliament, and the money had been disbursed. Charles I. was anxious to effect reforms in the expenditure of the Ordinary Revenue, so that some aid to his finances may have been received from this source. Still, as against the outlay to which he was committed, the extraordinary receipts, arising from the vote of Parliament, were quite inconsiderable, and he was forced to find some expedient by which resources could be obtained. When the Parliament of 1626 dissolved, without an additional vote having been made, Charles I. resolved to levy a sum, equal to the produce of five subsidies, by a compulsory loan. About £300,000 was expected, and on November 16th, 1627, £243,573. 14s. 3½d. had been collected, of which £154,292. 12s. 3½d. had been paid into the Exchequer—the greater part of the remainder having been disbursed directly by the counties, from which it was levied, on maintaining soldiers⁴. At this time the country was described as being "sick of a dry Exchequer," and there were great difficulties in obtaining a sufficient supply of powder⁵. By March 1628, future revenue had been anticipated to the extent of £220,422. 9s. 1d.⁶

At the end of the financial year 1627–8, the Extraordinary Expenditure directed by Letters of Privy Seal for the past three years, exclusive of loans repaid, amounted to over two and a quarter millions. As against this, there were extraordinary receipts of only half that amount. This left more than a million unprovided for, outside any saving there might be on the ordinary expenditure and anticipations. Moreover, to eke out the receipts, it had been necessary to include the dowry of Henrietta Maria, which amounted to £116,929. The subsidies, prizes and sundries came to £439,958, and the balance was procured as to £152,480, derived from the sale of lands and woods, added to £403,742, which had been borrowed in various ways.

The following statement, which is condensed from the financial tables compiled by Mr Gardiner, will make the position clear⁷:

¹ *Debates of the House of Commons in 1625*, pp. 30, 31.

² *Statutes*, v. p. 3.

³ *State Papers, Domestic*, James I., xxxvii. 38; Charles I., lxxxiv. 89.

⁴ *State Papers, Domestic*, Charles I., lxxi. 25, lxxxiv. 89; *Calendar*, 1627–8, pp. 258, 437.

⁵ *Ibid.*, lxxxv. 72; *Calendar*, 1627–8, p. 452.

⁶ *Ibid.*, xcv. 26; *Calendar*, 1628–9, p. 5. ⁷ *History*, 1628–37 (1877), II. 346–9.

Extraordinary Receipts 1625-6, 1626-7, 1627-8.

Sale of lands and woods	...	...	...	...	...	£152,480
Prizes	...	...	...	...	...	199,500
Queen's portion	...	...	...	...	...	116,929
Privy Seal loans, loans from private persons, forced loans, loans on mortgage	...	...	...	...	...	403,742
Subsidies	...	...	...	...	...	182,954
Sundries	...	...	...	...	...	57,504
						1,113,109
Extraordinary expenditure (less loans repaid)	...	...				2,229,211
Deficit as between extraordinary receipts and extraordinary issues	...	...	...	...	...	£1,116,102

When, in 1628, Parliament granted five-tenths and five-fifteenths, payable between July 10th, 1628, and March 1st, 1629, some progress had been made towards the temporary financing of the deficit. It is true that these subsidies would produce only about £300,000; but, with the reduction of expenditure on naval and military expeditions, beginning in the financial year 1628-9, there were prospects of surpluses on both the ordinary and extraordinary accounts. These prospects were altogether changed by the insecurity of the Ordinary Revenue derived from tonnage and poundage. In 1625 there had been several causes which had induced the House of Commons, instead of voting these duties for the life of the sovereign, as had been usual in former cases, to limit the grant for one year, and the measure did not become law¹. Charles I. claimed the right of authorizing the collection of these taxes, and in 1628 it was resolved that such collection was illegal, unless sanctioned by Parliament. The merchants, who had been smarting under the increased taxation, that had been imposed under the name of the new impositions, without the consent of Parliament, refused to pay either class of duties. Resistance in London was frequent, and the goods of the merchants were detained till the duties were paid. In some cases, those who declined to pay were imprisoned; and, as time went on, the indignation became widespread. It was significant that the companies engaged in foreign trade were prominent in the agitation. For some years the Levant merchants had been protesting against the duty on currants, and some of them would not pay it².

¹ In January, 1628, Cotton pointed out the danger of "unknowne and untrodden ways" towards procuring funds, "which although they tooke as it were a supply at first and received no generall denial; yet since it hath drawn many to consult with themselves...I much feare, if now againe it bee offered eyether in the same face or by Privie Seale, it will be refused wholly."—*The Danger wherein the Kingdome now Standeth and the Remedie*, by Sir R. Cotton, 1627, in *Somers' Tracts* (1750), v. 297.

² *A Detection of the Court and State of England*, by Roger Coke, 1719, i. p. 277.

The Merchant Adventurers, when called before the Privy Council, persisted in refraining from exporting cloth, even after they had been threatened with the dissolution of their company, previous to the transference of their privileges to those who would be more subservient to the Crown¹.

The opposing views of the Crown and the Commons upon this question became one of the causes leading to the dissolution of Parliament in 1629, and it thus marked another stage in the progress of the constitutional struggle. The refusal of Parliament, under the circumstances, to sanction this method of taxation raised a fresh financial difficulty, once the bulk of the subsidy, voted in 1628, had been paid into the Exchequer. This effect showed itself fully in a few years, but there was an immediate consequence, that had already resulted, towards the end of 1628. Up to that time trade had been moderately active. The City of London is stated to have been "in great splendour²," and there were complaints of the increase of luxury, especially of "the monstrous prodigality in apparel³." Land, which had sold at between eighteen and twelve years' purchase during the early part of the crisis of 1620⁴, had risen in 1628 to 28 years' purchase in some cases⁵. The cloth trade was better, and several of the other branches of foreign commerce had improved. As the Russia company emerged from the legacy of dishonest finance, the two new undertakings, managing the one the Greenland and the other the original trade, were meeting with considerable success⁶. Besides the plantation companies, founded before 1620, a new one had been started in 1629 for the cultivation of tobacco and spices in the Mosquito Islands⁷. The New Scotland and Guiana ventures were both showing considerable activity, mainly in the direction of privateering⁸. The two undertakings which had suffered most from the Dutch—*i.e.* the African and East

¹ Gardiner, *History*, 1603-42 (1891), vii. pp. 82, 83.

² *Historical Collections*, by John Rushworth, London, 1680, ii. p. 28.

³ *The Present State of England*, by Walter Carey, 1627, in *Harleian Miscellany* (1745), iii. pp. 198-201.

⁴ *Debates in the House of Commons in 1625*, *ut supra*, i. p. 16; *The Autobiography and Correspondence of Sir Simonds D'Ewes*, edited by J. O. Halliwell, 1845, i. p. 180.

⁵ State Papers, Domestic, Charles I., cix. 44; *Calendar*, 1628-9, p. 197. At first sight there is some difficulty in reconciling these rates with the interest on investments, where the security was considered good, which remained about 8 per cent. The explanation of the apparently unduly high number of years purchase in the case of land is that, in addition to the rent, the purchaser received a further income from the fines on renewal of leases. Therefore the number of years purchase is multiplied by a part, but not the whole, of the income.

⁶ *Vide infra*, ii. pp. 65, 71.

⁷ *Ibid.*, ii. pp. 328, 329.

⁸ *Ibid.*, ii. pp. 318, 319.

India companies—had experienced somewhat different fortunes. The former had lost all its capital¹; while the latter had been unable to force the shareholders to pay up the sums, they had undertaken to adventure in 1617, in the Second Joint-Stock. By 1628 it was feared that much of this capital had been lost, and the committees were only prevented from winding up the stock by the necessity of paying off the debt that had been contracted². Still this company also felt the return of confidence and it was able in 1628-9 to form another separate undertaking, known as the First Persian Voyage³, the capital of which was £125,000.

Activity was also shown in the home trade. As a consequence of the discovery of silver in Wales, Middleton had formed a company, which worked under a grant from the society of the Mines Royal; and shares in this undertaking seem to have been readily saleable in 1631⁴. In 1628 and again in 1630 the Mineral and Battery Works obtained not only fresh grants of the privileges secured in the time of Elizabeth but, in addition, the prohibition of the selling of re-made wool cards⁵.

The improvement in trade, that had begun in 1626 and which became more marked in 1628, was checked by the disputes about tonnage and poundage at the ports. The seizure of goods made delivery uncertain in England, while the exports were held back. Moreover there were many losses through captures by the Dunkirk privateers. The House of Commons had stated in 1628 that "what the poverty, weakness and misery of our kingdom is now grown unto by decay of trade and destruction and loss of ships and mariners, within the last three years, we are almost afraid to declare⁶." Trade in the English Channel was subject to many interruptions from the privateers which cruised about Land's End where they were a plague as bad as the "caterpillars" in Egypt. Often for weeks at a time it was unsafe for vessels to sail from Dover to Calais, and the depredations were extended as far as the herring fleets off Yarmouth⁷. These losses were aggravated in 1630 by the failure of the harvest and an outbreak of the plague⁸. In 1629 the price of wheat was considerably above the average of the previous three years, and 1630

¹ *Vide infra*, II. pp. 12-14.

² *Ibid.*, II. pp. 108, 109.

³ *Ibid.*, II. pp. 109, 126.

⁴ *Ibid.*, II. p. 401.

⁵ *Ibid.*, II. pp. 424, 425.

⁶ *Parliamentary History*, *ut supra*, VIII. p. 229.

⁷ State Papers, Domestic, Charles I., CXLVII. 52, CXLIX. 26, 56, CLXIX. 67; *Calendar*, 1629-31, pp. 22, 52, 58, 296.

⁸ This was however only a minor epidemic, the deaths from plague in London having been 1,317 as against 35,417 in 1625—*Natural and Political Observations... upon the Bills of Mortality*, by Capt. John Graunt, 1665, pp. 174, 175.

is described as a time of famine¹. The wool trade suffered to a marked extent. About the end of 1629 or the beginning of 1630 the exceptionally low price of wool was under the consideration of a special commission, appointed to ascertain the causes of the decline; and, at the same time, the state of the cloth-trade was causing anxiety². Towards the end of 1630, the demand for cloth had fallen off to such an extent that the manufacturers were compelled to dismiss their weavers, many of whom were in danger of perishing from want of work. There was a great scarcity of corn, and those who were receiving wages were unable to purchase enough to supply their families, owing to the enhanced price: while there were some, who, through lack of employment, were destitute³. In Hampshire, the production of cloth had declined by about 80 per cent.⁴; while, in Norwich, the magistrates had to raise treble the usual amount for relief of the poor from the better rank of citizens and double from the rest, besides borrowing £300 to spend on corn⁵.

The crisis at the end of 1630 was severe while it lasted, but fortunately its duration was short. The return to more normal conditions may be dated from the peace with Spain (November 1630), and early in the next year there was a general revival in trade. Industrial conditions both at home and abroad were better than they had been since 1619; but the return of prosperity was overshadowed by the methods, adopted by the Crown, to raise a revenue independently of Parliament. It is this fact that gives the crisis of 1630 an importance, which, in view of its brief continuance, it would not otherwise possess. Provoked partly by the irregularities in the collection of tonnage and poundage, partly by the losses arising out of the ill-advised conduct of the war, reacting on a time of scarcity in agriculture, it marks the dividing line between the period when Charles I. was still receiving the proceeds of subsidies, granted by Parliament, and the time when this source of supply was no longer available, except the small amount of arrears that remained still to be collected.

Apart from the influence of the constitutional issue, involved in the levying of taxation, the most important question affecting financial methods up to 1630 was the change in the relative positions of the English and the Dutch East India companies. The latter had continued the stock formed in 1602; while, in the case of the former, the new undertaking (known as the Second Joint-Stock, subscribed in 1617)

¹ Rogers, *Agriculture and Prices*, v. pp. 197, 270.

² State Papers, Domestic, Charles I., clv. 52, 53; *Calendar*, 1629-31, p. 147.

³ *Ibid.*, clxxvi. 36; *Calendar*, 1629-31, p. 403.

⁴ *Ibid.*, clxxxii. 45, 45 (1); *Calendar*, 1629-31, p. 481.

⁵ *Ibid.*, clxxxvi. 26; *Calendar*, 1629-31, p. 526.

had been due to determine in 1625, but was continued for four years more. It was not wound up until 1633. The effect of the critical position in the East had been to prevent shareholders from paying their calls, and this stock was not fully paid up¹. Therefore, the First Persian Voyage (1628) may be regarded as completing the subscription to the Second Joint-Stock. Moreover, since the profits of both enterprises were almost all made by 1630, for purposes of comparison with the Dutch company they may be taken as having terminated at that date. On the other hand, the Second Persian Voyage (1629) had not produced sufficient results to be included within this period. Therefore any profits made by the Second Joint-Stock and First Persian Voyage, after 1630, would probably be balanced by those of the Second Persian Voyage, gained before the same date.

Up to 1617 the Dutch company had divided its profits at an average annual rate of about 25 per cent., while the dividends of the English undertaking on the estimated capital actually employed, exclusive of the principal returned, came to over 31 per cent. on the Voyages and the First Joint-Stock. Therefore, roughly, the profits actually divided by the Dutch company were a little more than two-thirds of those, paid by its English rival, in terms of the average rate per cent.² There is every reason to believe that the lower return per cent. of the Dutch enterprise was due to the expenditure of considerable sums on laying the foundations of future developments. One effect of a permanent capital was that this body was able to provide fortified stations, which became of great value to it in the struggle with its rival. The latter, owing to its system of terminable stocks, was unable to adopt the same policy, and this was one of the reasons why it suffered most during the years of strife in the Indies.

The effects of the contest were shown in the reduced rate of profit earned from 1618 to 1630. During eight of these thirteen years, the Dutch company did not pay any dividend; and, in the other five, distributions of 120 per cent. were made³. Over the whole period, this gave an average annual dividend of 9 per cent., or just about the same rate as was obtainable from a loan on good security. The English company was even more unfortunate. The whole divisions on the Second Joint-Stock were only 112½ per cent. or a profit of 12½ per cent. for at least thirteen years. It would be a mistake to conclude that the average annual dividend from profits was under 1 per cent., since only one-eighth of the nominal capital was called up during each of the first five years of this stock. Therefore, at the end of 1623, about

¹ *Vide infra*, II. p. 107.

² *Vide supra*, p. 147.

³ Klerk de Reus, *Niederländisch-Ostindischen Compagnie*, Appendix VI.; Anderson, *Annals of Commerce*, edited by David MacPherson, 1805, IV. p. 488.

a million sterling was actually paid in, and the following year the committees began to make divisions, averaging one-eighth of the total, annually. Allowing on the one hand for the calls on the stock being paid in instalments, and on the other for the repayments of capital, it seems probable that no serious error would be involved in treating the profit made as if it had been earned on a capital of £500,000, taken as paid up in 1618 and returned in 1630. To this there is to be added the stock, subscribed for the First Persian Voyage: and, distributing this in like manner over the whole period, the capital, actually employed, may be taken as being about equal in amount to that of the Dutch company—neglecting the loans of each, since interest on these was provided for before dividends were paid.

On the basis of this calculation, the sum total of the profits of both companies may be compared directly during the years 1618 to 1630. Strictly speaking the English organization had not sufficient realized assets to do more than return the principal of the Second Joint-Stock. All its remaining property was transferred to the Third Joint-Stock, in return for an allotment of shares in the latter. This allotment amounted to $12\frac{1}{2}$ per cent. Since, moreover, one of the most important of these assets was the claim for damages against the Dutch company, no account need be taken of the compensation that was paid eventually by the latter. The effect of the arrangement therefore was that the proprietors received a profit of $12\frac{1}{2}$ per cent. in stock of the next undertaking. Taking this at par¹, it would be worth about £200,000, to which is to be added the profit of the First Persian Voyage of £75,000², making a total profit over the whole thirteen years of £275,000. Reducing the dividends of the Dutch company, during the same period, to sterling, these would come to over three-quarters of a million, so that the result is reached, that in the years under investigation the latter made almost three times as much profit as the English undertaking; and the average annual rate of profit on the share-capital was about 9 per cent. in the one case and 3 per cent. in the other.

The financial results of the East India trade from 1618 to 1630 are important, not so much as an instance of the rate of profits, but from their effects on the whole question of monopolies for foreign trade and also indirectly in relation to the development of the joint-stock system. Up to the time of the Amboyna massacre, the grant of large privileges for trading to distant and uncivilized countries was based on the principle of encouraging discoveries. In principle, therefore, it resembled

¹ In 1634 this stock sold cum divisions at 80, while in 1640 it was from 91 to 95½ ex divisions of 50 per cent.

² *Vide infra*, II. pp. 111, 126.

the exclusive right of exercising a new invention for a term of years. This was the view of the more moderate members in the House of Commons. To this there was opposed a body of opinion which aimed at the breaking down of all privileges in the export trade, and which finds expression in the "Instructions" of Sandys. There is, however, reason to believe that this agitation was no more disinterested¹ than the defence of the companies, which was undertaken by persons who were shareholders in these ventures, or who received some recompense for their support.

The conflict between the English and the Dutch East India companies introduced an altogether new element. Competition took the form of armed intervention. The trader, who was too weak to defend himself, ran the risk of being deprived of his goods; and, once the Dutch had established themselves in the Indies, it would have been impossible for English merchants to have sent cargoes there without the protection of armed ships. Moreover, fortified stations were required, where goods could be stored until they were conveyed to Europe. For these reasons, during a period when the Channel was not always safe for British ships, some kind of responsible organization with large powers was necessary. Even the existing English organization had not as yet risen to a full sense of its responsibilities. The system of stocks, subscribed for short terms, precluded the best development of the permanent interests of the trade. The cause of this policy is difficult to determine. It may have been that the East India company was following the precedent of the Elizabethan trading voyage, but it seems possible that, since the Russia company had a series of stocks which had been terminable only by liquidation, there were other reasons. These are perhaps to be found in the attitude of the Stuarts to the company. James I. had granted licenses which seriously threatened its privileges, and the minutes show that the committees were apprehensive of frequent interferences by the Crown. Such uncertainty made it inadvisable to expend capital in any directions, where the return would be a distant one. Thus it happened that the company was ill-prepared to face the aggression of the Dutch, and that it suffered most in the contest. It is not unlikely that it was the effect of these events which caused companies to be excepted from the scope of the monopoly act of 1624. This legislation again had an important consequence, which came to light in the reign of Charles I., namely that there was no obstacle in statute-law to the grant of the most objectionable kind of monopoly to any body of persons, who at the same time were incorporated by a royal charter.

¹ *Vide supra*, pp. 121, 182.

The low level of profits of the East India company from 1618 to 1630 tended in an almost accidental manner to eliminate some characteristics of the regulated body from its organization. At first any non-member, who purchased shares, had to pay a fine on admission. From 1624 to 1628 shareholders were anxious to sell out, so as to escape the liability of unpaid calls. Since, for the same reasons, there was no urgent demand even at a price which, allowing for the divisions of capital already made, was below par¹, the proprietors objected to any restrictions which tended to limit the market. Therefore, although the fine for admission was not finally abolished until later, it was reduced so much, that, on any considerable purchase, it was no more than a moderate fee payable to the company for the registration of the transfer.

¹ *Vide infra*, II. p. 126.

CHAPTER XI.

THE DELEGATION OF INDIRECT TAXATION BY THE CROWN TO MONOPOLISTIC COMPANIES 1630—1640.

THE revival of trade at the end of 1630 was accompanied and strengthened by great activity in the extension of existing companies and still more by the formation of new undertakings. At the beginning of the year 1631 and for some time afterwards, the prospects for the investment of capital appeared to be exceptionally promising. The signature of a treaty of peace offered security for merchants, who were prepared to equip distant voyages, or to adventurers who were desirous of exploiting schemes for colonization. The woollen industry showed signs of recovering from the depression which had lasted since the ill-advised interference, resulting in the formation of the company of New Merchant Adventurers in 1614. It was only to be expected that this rash proposal had checked the rate of increase, which might otherwise have been established, but there are many signs that both the clothiers and the sheep-farmers had begun to adjust themselves to the new conditions; and it is significant that complaints of "decay of the cloth-trade" had become less; while, when they began again, they related only to certain localities affected by special conditions. There are many indications which point to a considerable amount of capital having been available for investment. The rate of interest on good security had fallen to that current before the crisis of 1620, namely about 8 per cent.¹, while the shops of the goldsmiths in Cheapside were described as "a most glorious sight²." The great sums expended on luxuries, and more especially on entertainments, also afford evidence that there were large stores of wealth, awaiting profitable outlets³.

The stimulus of renewed hope can be traced in most directions where a large capital was used. The off-shoot from the Russia company, which

¹ State Papers, Domestic, Charles I., ccliv. [*Docquet*], Dec. 28, 1633; *Calendar*, 1633-4, p. 337.

² *Historical Collections*, by John Rushworth, London, 1680, II. p. 28.

³ *The History of the Rebellion and Civil Wars in England*, by Edward, Earl of Clarendon, Oxford, 1712, I. p. 67; *Calendar State Papers, Domestic*, 1636-7, p. xxviii.

was beginning to be known (from the name given to its whaling grounds) as the Greenland company, was making profits¹; and, as far as can be gathered, the same statement applies also to the parent undertaking². The East India company was subject to the conditions of commerce, both at home and in the East. While the latter remained unfavourable³, the former partially neutralized the disadvantage. Thus, besides the First and Second Persian Voyages, which had already been established, a third and similar venture was made in 1630, with a capital of £100,000. This was followed in 1632 by a Third Joint-Stock, with which the Second Joint-Stock was incorporated by a transfer of the remaining assets of the latter at a valuation. Then in 1634 the property belonging to each of the three Persian Voyages was purchased by the Third Joint-Stock, the amalgamation being effected by payment being made in cash or shares of the Third Joint-Stock⁴. Thus, after 1634, there was only one undertaking controlled by this company, with a capital of £420,700⁵, which only exceeded that of the First Joint-Stock by a few hundred pounds. At the same time, while the situation in 1613, 1617, and 1634 may be roughly described by saying that the nominal capital subscribed in 1617 was four times that in existence in 1613 and again in 1634, certain differences are to be noted. As already shown⁶, in the case of the First Joint-Stock, the earlier calls had been repaid before the final instalment was due. Therefore, the whole nominal capital was not earning profits at any one time. Again, the subscriptions of the Second Joint-Stock were never all paid up; so that, while there was a considerable reduction in the amount of the Third Joint-Stock, as compared with the Second, that reduction is not so large as it appears at first sight. To some extent, this Stock was unfortunate in the terms upon which it expropriated the Adventurers in the Persian Voyages. These Voyages had been profitable. Up to September 1634 the First had made divisions of 140 per cent., the Second of 150 per cent. and the Third of 100 per cent. These results fostered the expectation that the purchase of their assets by the Third Joint-Stock would prove satisfactory, and therefore the terms arranged were more favourable to stock-holders in the Voyages than they would have been, had they been arranged a few years later.

Besides the Russia and East India trades, other branches of foreign commerce were developed, notably the trade to Africa. In June 1630 a charter was signed, establishing a new African company with still

¹ *Vide infra*, II. p. 71. At this time "Greenland" was the name given to Spitzbergen by English writers.

² *Ibid.*, II. p. 65.

³ *Vide supra*, p. 197.

⁴ For the details *vide infra*, II. p. 111.

⁵ *Ibid.*, II. pp. 111, 127.

⁶ *Vide supra*, p. 146.

wider limits and extended privileges. It is noteworthy that the leading adventurer in this enterprise was Sir Nicholas Crisp, who had broken down the monopoly of the previous company¹.

Numerous circumstances led to an extension of colonizing. On the one side, already religious difficulties had induced emigration, and the Adventurers to New Plymouth were followed by the Massachusetts Bay company, which received its charter in 1629. This grant was unique in so far as it did not preclude the holding of meetings in the territory settled; and, therefore, by 1631, shareholders, resident in England, had disposed of their holdings to those who had emigrated. Thus, on the divisions of land being made, this plantation passed from company-administration to local government². Another group of circumstances tended to foster further settlements in America. The Virginia and Bermuda colonies had advanced from the experimental stage and had pointed the way to imitators. Already from 1627 settlements had been proposed in a number of West India Islands, such as the Caribbees, St Christopher and the Mosquito Islands. With more favourable monetary conditions, these enterprizes were developed and new ones commenced, as for instance the plantation of Carolina, Maryland, Montserrat and Antigua. Maryland was a proprietary colony, owned by Lord Baltimore³, the Mosquito Islands were the property of a company, founded in 1629, which obtained a charter in 1630⁴. The Caribbees were granted to the Earl of Carlisle in 1627, but the funds for the work of settlement were provided by a small group of London merchants, who became under-adventurers⁵. The company, that had obtained the grant of the Mosquito Islands, introduced a new element in the organization of the colonizing undertaking. It has already been shown⁶ that plantation companies, such as the Virginia and Bermuda associations, proceeded at an early stage to make divisions of land to their shareholders. In this case, however, although that course had been contemplated, it was decided eventually that the territory occupied should be worked on behalf of the joint-stock, with the result that the capital which was only £2,000 in 1629 had grown by 1633 to £24,000⁷. In addition to this large outlay, there was a subordinate company for planting the Island of Tortuga, on which £570 had been expended in 1634⁸. It is not difficult to suggest the reason for this change in practice. The climate was bad, and the land was not suitable for the occupation of the

¹ *Vide infra*, II. p. 14.

² *Ibid.*, II. pp. 314, 315.

³ *Ibid.*, II. pp. 318, 326.

⁴ *Ibid.*, II. p. 328.

⁵ *History Civil and Commercial of the British Colonies in the West Indies*, 1793, I. p. 333.

⁶ *Vide supra*, p. 184.

⁷ *Vide infra*, II. pp. 330, 301.

⁸ *Ibid.*, II. p. 329.

adventurers themselves. Besides, an important element in the operations of this company consisted of trade with the mainland for which capital was required¹. Finally, it is worthy of note that, while the re-adjustment of England's foreign relations after the peace of 1630, was beneficial to most of the colonizing enterprises, it was detrimental to those on the extreme margin of the plantation area both to the north and the south. On the one side there was the Canada company and on the other the Guiana adventurers. There was a clause in the treaty with France in 1632 that England should give up the recent acquisitions of territory in Canada, and therefore the Adventurers were compelled to withdraw from the trading stations they had established; but since they managed to retain a large quantity of furs they had secured, it is not improbable that they realized more than the capital subscribed². At the same time, the secret treaty with Spain resulted in the mainly privateering ventures, based on the project for planting Guiana, being discouraged by the Crown; and, up to 1637, there is little trace of activities in this direction³.

The same spirit of enterprize extended to the home trade. Here it is necessary to distinguish between the appearance of activity and legitimate progress. Industrial inventions again become prominent—indeed these are more marked than they had been since the early part of the reign of Elizabeth. With invention came the endeavour to revive former industries and to start manufactures in England already established abroad. These developments produced changes in production; and, as a consequence, efforts were made to improve transport, both by road and river, as well as to extend the postal service⁴. From the mass of seeming progressive movements, there must be distinguished a number of so-called inventions which were either wholly or in the main fiscal devices intended to augment the Crown revenue. Postponing these for investigation later, there remain many extensions of the home trade—several of which were formed by joint-stock companies. Apart from the Elizabethan societies of the Mines Royal and the Mineral and Battery Works—the former still earning a revenue and the latter giving employment to “many thousands⁵”—there was much attention paid to the recovery of land by drainage. It will be remembered that, at the close of the sixteenth century and again in the reign of James I.⁶, such enterprizes had constituted a favourite form of speculation. Prior to 1630, these schemes had not been successful on any large scale. In fact,

¹ *Vide infra*, II. p. 331.

² *Ibid.*, II. p. 321.

³ *Ibid.*, II. p. 325.

⁴ *Fœdera*, XIX. pp. 130, 397, 649, 686, XX. pp. 6, 47; *The History of the Post Office*, by Herbert Joyce, London, 1893, pp. 15-22.

⁵ *Vide infra*, II. pp. 402, 425.

⁶ *Vide supra*, p. 131.

it would appear that previous efforts had failed, in part, through the want of sufficient resources. In this period there was again a boom in drainage propositions, most of which were carried on by small companies. The Bedford Level in Cambridgeshire and adjoining counties was reclaimed at a cost of £93,000 up to 1638. On this basis the land-dividend cost about £1. 2s. 6d. an acre which compares with 2s. 6d. to 5s. an acre in Virginia¹.

The success of the Dutch in the herring fishery off the coast of Great Britain had long been a subject of envy to those who were desirous of increasing the volume of trade². In the deep sea fisheries near Newfoundland, as well as in whaling, English mariners more than held their own. In the latter, despite the financial errors of the Russia company, very large profits were sometimes made, and the average annual yield of oil was considerable. In 1634 the capital employed in the Newfoundland fishery was close on £300,000, and the profit obtained was 12 per cent. This must be counted a satisfactory return in a year acknowledged to have been, through special circumstances, a bad one³. In 1630 a commission was appointed to enquire into the prospects of the home fishery, and it reported in favour of the foundation of a powerful joint-stock company to carry on this enterprize. It was estimated that a capital of £167,000 would suffice at the beginning, and that it would yield a profit of 70 per cent. per annum⁴. The company, which was incorporated in 1632, was noteworthy in several respects. It was the first venture which was explicitly national in the widest sense, since it was intended to send fishing fleets, not only to the English coasts, but also to both Scotland and Ireland. For this reason, it was incorporated as *the Society of the Fishery of Great Britain and Ireland*, with a governing body consisting of one half English and the other half of Scottish members. The organization was intricate. Besides the society, there were several subordinate unincorporated companies, to each of which a certain area was assigned. These subsidiary undertakings were intended to attract local support and to secure a more efficient management, while the parent society not only interested itself in the trade generally but negotiated large contracts, such as those for the navy, or for export, besides maintaining its own herring boats⁵.

Elsewhere there were other industrial developments, such as a corporation, formed in 1631, to amalgamate existing potash works⁶. About the same time the glass industry was making progress, and a

¹ *Vide infra*, II. pp. 354, 355.

² *Ibid.*, II. pp. 101, 102, 362, 363.

³ State Papers, Domestic, Charles I., CCLXXIX. 73; *Calendar*, 1634-5, p. 293; cf. *infra*, II. pp. 302-4.

⁴ *Vide infra*, II. p. 363.

⁵ *Ibid.*, II. pp. 363, 364, 370, 371.

⁶ State Papers, Domestic, Charles I., CCCVII. 84; *Calendar*, 1635-6, p. 38.

partnership was formed with a view to the utilization of coal in several processes¹.

It is unfortunate that there were tendencies, beginning to manifest themselves, which had the ultimate effect of checking the tide of prosperity. These were connected in different degrees with the personal government of Charles I. The religious troubles not only caused dissatisfaction amongst an industrious class of the community, but produced a growing stream of emigration to the colonies, and, in a less degree, to the continent. Thus the descendants of the Walloons in Norfolk and Suffolk were forced to leave the country, and, on their obtaining exceptional inducements to establish themselves in the Low Countries, they transplanted their trades there². Then the question of tonnage and poundage remained unsettled. It is true that, after the dissolution of the Parliament of 1629, the Crown was able to collect these duties; but, at the same time, the friction, which had shown itself, remained and gave rise on the one hand to suppressed dissatisfaction amongst the mercantile class, while on the other it tended to increase the risk of the farmers of the Customs and therefore to prevent the rent from rising with the improvement of trade.

Moreover, government without a Parliament necessarily involved the cessation of subsidies, and the position of the Crown finances was such that the Ordinary Revenue did not suffice for the expenses of the government. The deficit in 1629 was provided for by the levying of a forced loan, but it is obvious that this could be only a temporary expedient. In order to estimate the situation, it is necessary to frame some calculation of the outlay of the State about 1630 and the resources available towards meeting it. At the beginning of the reign of James I. it was estimated that the total Ordinary Expenditure should have been about £260,000, and it has already been shown that many of the difficulties of his times were due to the laxity of supervision in the disbursements of the ordinary charges and still more by the extent to which "extraordinaries" were permitted³. Under Charles I. efforts were made to reform the extravagance at the Court, and a period of rigid economy in the royal household was begun. At the same time, the habit of profusion had been in existence for a generation, so that a complete reform would have required many years and a different class of ministers. Allowance, too, must be made for the growth of the country and changes which had increased the unavoidable expenditure. Taking all these elements into account, it may be estimated that the Ordinary

¹ *Fœdera*, xix. p. 189; *vide infra*, II. p. 465.

² *A Detection of the Court and State of England*, by Roger Coke, 1719, i. pp. 311, 312.

³ *Vide supra*, p. 136.

Expenditure in a time of peace would be about £600,000 a year¹. Then as to the Extraordinary Expenditure, attention must be paid to the fact that the years up to 1629-30 were affected by the cost of the various expeditions, when the country was at war, while afterwards the increased attention to the navy, which led to the writs for ship-money, began to manifest itself. Probably, the fairest basis for a calculation of the necessary annual amount of the extraordinary charge would be to take the average of the three financial years 1627-28, 1628-29, 1629-30, omitting all items connected with the war as well as the repayment of loans. This leaves Navy Extraordinaries, Resumption of Grants, Special and Secret Services, Gifts, Jewels and Plate, Pictures and Statuary, Masques, Extraordinaries for Ambassadors, Entertaining foreign Visitors and Sundries. The annual average of these items is in round numbers £100,000², which, added to the ordinary charge, gives a total of £700,000 a year. This calculation, however, makes no provision for the payment of the Crown debt, which had grown to be very large, and which in 1635 amounted to £1,173,198³. To have provided for the extinction of that part, which had been borrowed up to 1630 (and for the greater portion composed of anticipations and charges of the various services, accrued due but not paid) would have required, as a minimum estimate, an addition to the extraordinary issues of the Exchequer of at least £150,000. Therefore, the total charge, ordinary and extraordinary, would have been, with economy, about £850,000 a year, until the debt had been liquidated.

To meet this large liability there was first the estimated Ordinary Revenue, as augmented by the new impositions of James I. Making allowance for the fact that there was no increase in the rent receivable from the Great Customs, it is probable that, about 1630, the estimated Ordinary Revenue would not be much in excess of £550,000 a year⁴. In other circumstances, extraordinary receipts would be available to increase the Ordinary Revenue. Unfortunately, at this period, the whole of the items under this head consist of arrears of Parliamentary subsidies, money borrowed and sales of property⁵. Therefore, in estimating the financial position, apart from subsidies and new sources of revenue, the estimated Ordinary Revenue of £550,000 was all that was strictly

¹ The estimated Ordinary Expenditure in the year 1635, which was a time of great economies, was £636,536—Ordinary Expenditure of the Exchequer, printed by Gardiner, *History* 1628-37 (1877), II. p. 345.

² *Ibid.*, II. pp. 346, 347.

³ *Ibid.*, II. p. 350.

⁴ The estimate for 1635 was £618,379 (Gardiner, *History* 1628-37 (1877), II. p. 344) which included £30,330 composition for purveyance, besides the proceeds of new sources of revenue rendered available in the interval.

⁵ *Ibid.*, II. pp. 348, 349.

speaking available to meet a total charge of about £850,000 a year, leaving an annual deficiency of approximately £300,000.

Estimated normal financial position of Charles I. about 1630.

Ordinary expenditure...	£600,000
Extraordinary expenditure without provision for repayment of debt	100,000
Provision for repayment of debt	150,000
	<hr/> 850,000
Ordinary Revenue	550,000
Extraordinary Revenue apart from subsidies, sale of Crown property, loans or new taxation	nil
Estimated deficiency	<hr/> £300,000 ¹

It follows, then, that the policy of government without a Parliament involved both constitutional and financial difficulties. The latter might be formulated as the problem of raising an additional £150,000 a year to meet the annual charge, but before providing for the payment of debt. Including the service of a sinking fund for extinguishing the indebtedness of the Crown, it would have been necessary to raise a further £150,000 annually for a number of years, making the total sum to be found £300,000 or the exact amount of the estimated Ordinary Revenue at the beginning of the reign of James I.

This estimate only provides for carrying on the government on the same lines that had been followed up to 1630. Any new development would mean an addition to the sum to be raised. The circumstances, which led to the issue of the writs for ship-money constitute, to a considerable extent, such an addition to the estimated annual deficiency. In the situation there were two diverse elements involved. There is no doubt that in 1630 the fleet was insufficient for the protection of commerce, even in the immediate vicinity of the English coasts. It is to be presumed that the addition to the estimated ordinary expenditure of the navy as well as the navy extraordinaries, amounting together to over £20,000 a year, was intended to meet this need². Superimposed on

¹ On the whole, this estimate is confirmed by that of Mr Gardiner for the year 1635. He calculates the annual deficiency, at that time, as £118,000, before provision was made for the payment of debt—*History 1603-42* (1891), viii. pp. 81, 82. It is to be remembered that, in the interval between 1630 and 1635, new sources of revenue had been made available.

² Estimate Ordinary Navy 1623	£29,703
" " " 1635	<hr/> 41,570
Addition to Ordinary Expenditure	11,867
Average Navy Extraordinaries 1627-1630	<hr/> 12,060
	<hr/> £23,927

this outlay, which is included in the previous estimates, was the idea of the dominion of the sea, and therefore, in so far as ship-money was devoted to the latter purpose, it was not available towards a reduction of the deficit. Thus Charles I. was faced by the dilemma that, if he imposed this tax, he was compelled to provide increased naval forces to afford some justification for the impost. But, if he increased the navy, ship-money would leave only a small surplus, if any, towards the reduction of the deficit. The most that could be expected would be the relief of the existing revenue from the recent increase in the charge for the navy. Supposing that this had been feasible, the nett result of the imposition of ship-money would have been to reduce the deficiency by about £20,000, leaving a balance of £130,000 a year still to be provided to make ends meet, and that without any allowance for the reduction of debt. In any case, prior to 1635, the hypothetical surplus from ship-money towards the previous additional charge for the navy, would not be available; and it remained necessary to provide for the estimated annual deficiency. Numerous expedients were adopted, which may be divided into the following classes. First, some efforts were made to augment the existing Customs, as for instance by an increase on the export-duty on coal of 4s. per chaldron in 1632¹. But in view of the recent opposition to tonnage and poundage, it was obvious that this device could only be used with the greatest circumspection. Then, some additional income was expected from trading by the Crown. Thus Charles I. became the sole-merchant of gunpowder in England, which commodity he re-sold at a profit of 50 per cent.² Similar profits were estimated on a royal playing-card and dice monopoly; while that of tobacco, already in existence, was made more lucrative³. There was this to be said for the policy, that gunpowder was essential to the national defence, while the other commodities were luxuries. Until the tobacco monopoly had been extended, although the ratio of profit was large, the increase of income was not great; but there was the danger that an attempt would be made by the Crown to extend the system to some commodity in common use. This was the case with the coal trade. Though the farm of the duties on it was described as "the bravest the King has⁴," it was proposed at the Committee of Trade that he should constitute himself "sole-merchant," but it was recognized that, to obtain any considerable increase in revenue, it

¹ State Papers, Domestic, Charles I., cciv. 42 (1); *Calendar*, 1631-3, p. 200; *An Historical, Geological and Descriptive View of the Coal Trade of the North of England*, by Matthias Dunn, Newcastle, 1844, p. 15.

² State Papers, Domestic, Charles I., cclxxix. 48; *Calendar*, 1634-5, p. 387.

³ *Ibid.*, cclxxxvi. Notes by Windebank, April 4, 1635; *Calendar*, 1635, p. 8; *vide infra*, II. pp. 291, 292.

⁴ State Papers, Domestic, Charles I., cclxxxv.—Notes of Meeting of Lords of the Treasury, March 21, 1635; *Calendar*, 1634-5, p. 595.

would be necessary to advance prices, and the scheme was abandoned, lest the Crown should suffer "by the clamour of the people¹"—as will be seen the same results followed, but they were reached by a different road.

Further, under the pressure of financial necessity, a search was made into ancient statutes with a view of exacting fines for the non-observance of laws which had ceased to be in operation. Such were the compositions, known as the "knight-hood fines," which began in 1630, and the penalties for alleged infractions of the forest-laws in 1634.

Again, reverting to the methods adopted in the time of James I., administrative functions, connected with the supervision of trade, were delegated to individuals², who undertook to make a fixed payment to the Exchequer, they themselves retaining the money they were able to recover from offenders against the existing laws or the patents and proclamations under which such commissioners worked.

Finally, there were certain industrial corporations, which were either created or transformed with a view to the increasing of the resources of the Crown. It was considered dangerous to make any material addition to the taxation on foreign trade, until a considerable interval had elapsed since the Parliament of 1628-9. There remained however the home trade. The idea of royal monopolies for the sale of certain commodities was entertained, and then abandoned. But advantage might be taken of the fact that companies were excepted from the monopoly act³; and, if a corporation were formed and granted a monopoly, it was thought that the letter of the law could be observed. When a substantial money-payment was reserved to the Crown, it is plain that, where the privilege was granted for some common commodity by the usual methods of production and not by a new process, this device was simply a wasteful method of collecting indirect taxes on native commodities. One of the first arrangements of this kind was made with a craft-gild—namely the Starch-makers' company, whereby, on an annual rent being paid to the Crown, the officials of the company received the right of supervising the trade, which was confined to members of this body⁴.

About 1630 some members of the Host-men of Newcastle took advantage of events in that year to propound a scheme for a monopoly of a more stringent character than that possessed by this body, as a whole⁵. Owing to the activity of foreign privateers, the colliers could not make the voyage from Newcastle to London without a convoy. At

¹ State Papers, Domestic, Charles I., cccxv. 141; *Calendar*, 1635-6, p. 292.

² *Vide supra*, pp. 138, 173.

³ *Vide supra*, p. 178.

⁴ *Fœdera*, xix. p. 338; Anderson, *Annals of Commerce* (1790), II. p. 458.

⁵ For the early history of the Host-men *vide* Levy, *Monopole, Kartelle und Trusts*, p. 22.

the end of the winter 1629-30, armed ships could not be spared for this duty; and, as a consequence, the Tyne was congested with shipping and there was a great scarcity of coal in London¹. With a view of maintaining the high price, some free-men of the company of Host-men offered the Crown a payment of 12*d.* a chaldron on all coals shipped to London, on condition that the captains of vessels should be compelled to purchase from this group only, to the exclusion of the other Host-men². The acceptance of this scheme, which was in operation in 1635, instituted a monopoly within a monopoly, since no one save a Host-man might sell coal for shipment; and, of the Host-men, only an inner ring could supply the London market. At the same period the export duty amounted to 12*s.* 4*d.* a chaldron which, with the addition of dues payable to the corporation of Newcastle, made a total charge of 13*s.* 8*d.* on each chaldron sent abroad³.

Further, salt was judged to be capable of yielding an increase for the revenue. In 1630 the price in the southern counties had been high; and, by an order of the Privy Council, exportation was prohibited. The salt-makers accused the merchants, and the latter retorted on the makers⁴. This dispute afforded an opportunity to a group of projectors, who propounded a scheme for the manipulation of the quantity produced on the Tyne. It was proposed that a company should be established to take over the salt pans in this district, the annual production of which was estimated at 2,087,000 bushels or 52,175 weys. This company was either to expropriate the owners, or else to purchase their output at a fixed price of 10*d.* per bushel, as against the previous one of 9*d.* Further, authority was to be given to the projectors to sell salt at £4 the wey or 2*s.* the bushel, in consideration of which privilege the Crown was offered a royalty of 10*s.* per wey or 3*d.* per bushel⁵. Nicholas Murford, who had works at Yarmouth, offered, not only to join the proposed company, but to extend its scope to the whole production of England, which was estimated at 80,000 weys. On the basis of a royalty of 10*s.* a wey, the estimated profit to the Crown would be about £40,000⁶. No account was taken of the probability that so great an advance in price would tend to diminish the demand, nor that the annual profit of £200,000—divisible as to one-fifth to the Crown and four-fifths to the company—would mean a corresponding loss of at least as much to consumers.

¹ State Papers, Domestic, Charles I., CLXIII. 57; *Calendar*, 1629-31, p. 222.

² *Ibid.*, CLXXX. 58; *Calendar*, 1629-31, p. 444.

³ *Ibid.*, CCXCI. 130; *Calendar*, 1635, p. 168.

⁴ *A True Remonstrance of the State of the Salt Business...* by the Societie of Salt-Makers of South and North Shields and of Scotland [1638].

⁵ State Papers, Domestic, Charles I., CLXXVII. 71-4; *Calendar*, 1629-31, pp. 421, 422.

⁶ *Ibid.*, CCLXXV. 8; *Calendar*, 1634-5, p. 584.

Therefore, for the revenue to be increased by a hypothetical £40,000 would have meant a direct loss to the country of £200,000, to which was to be added the restriction of industries in which salt was used as raw material. While the scheme was still in its initial stages, fishermen, salters and fishmongers joined in protesting against it, at the same time professing their willingness to pay any imposition that would be levied directly¹. In reply to these petitions, the promoters pointed out that the imposition of a direct tax on a commodity, produced at home, would raise difficult constitutional questions²; and it was eventually decided to issue a charter of incorporation, which was signed on December 23rd, 1635 constituting the "projectors" *the Governor, Assistants and Commonalty of the Society of Salt-makers at the North and South Shields in the counties of Durham and Northumberland*³. By an indenture of the same date, between the Crown and the society, it was agreed that the stated price should be £3 a wey (or 1s. 6d. a bushel), instead of £4 as originally proposed. This arrangement applied to all the ports, with the proviso that salt, purchased for fishing, should be supplied at 50s. the wey. The effect of this stipulation would be to reduce the direct loss to the consumer to about £100,000 a year, on the supposition that the Crown exercised its right of supervision and prevented the company from advancing the price beyond the sums stipulated⁴. The preference, granted to the fishing trade, led to a revision of the royalty reserved to the Crown, which was agreed to at 3s. 4d. the wey for fishing salt and 10s., as originally proposed, for the remainder sold under the terms of the contract. Finally, the arrangement was to last definitely for three years, and thereafter, during the next three years, it was determinable on six months notice by the King⁵. Though this grant did not apply directly to the Yarmouth works, provision was made for the co-operation of Murford and his partner, who signified their adhesion to the terms of the contract in 1636⁶.

Another scheme of a similar character was designed to draw a revenue

¹ State Papers, Domestic, Charles I., ccvi. 61, ccvii. 69-71; *Calendars*, 1631-3, p. 239, 1635, p. 501.

² *Ibid.*, ccvii. 72; *Calendar*, 1635, p. 501.

³ *Ibid.*, ccv. Docquet, Dec. 23, 1635; *Calendar*, 1635, p. 589.

⁴ As a matter of fact the immediate result of the establishment of the company was to enhance the price of salt at Shields—*Ibid.*, ccviii. 5; *Calendar*, 1635-6, p. 43; *An Answer to those Printed Papers published in March last 1640 by the late Patentees of Salt in their Defence and against Free Trade*, composed by John Davies, 1641, p. 6.

⁵ State Papers, Domestic, Charles I., ccv. [Docquet], Dec. 23, 1635; *Calendar*, 1635, p. 589.

⁶ *Ibid.*, cccix. 3; *Calendar*, 1635-6, p. 373. An account of the salt and soap monopolies is given in *English Patents of Monopoly*, by W. Hyde Price, Boston, 1906, pp. 112-28.

from the soap-making industry. At the same time there were certain important differences, both in the inception and the execution of the two proposals. The beginnings of the particular branch of the soap trade, which later became a matter of national importance, are to be dated from a patent of James I. of February 1623, granted for a new invention to make hard soap with barilla, to which a further grant was added a year later for the production of soft soap by sundry motions, instead of by boiling. For six years nothing was heard of the new processes. In 1631 Sir William Russell and others alleged that they had perfected the earlier invention, and a new patent was signed, conferring a monopoly of these processes for 14 years. This grant was transferred to Sir W. Compton, who stated that he had discovered a method for the production of white soap by the use of home materials only¹. In order to encourage the syndicate, which had purchased the patent, a proclamation was issued in its favour, which authorized the use of a special seal for marking the new soap, with powers to enter premises in search of any that was suspected of infringing the patent².

These privileges constituted the basis, on which there was erected a corporation destined to make great changes in the trade. It was estimated that the total annual consumption of soap was at least 10,000 tons, of which 5,000 tons were produced in London. Besides the imported soaps, there were only two qualities, which were described as "the best," sold by retail at 2½d. to 3d. a lb. and "the coarse," sold at 2d. per lb. It was calculated that the foreign commodities, used in the manufacture of these, such as whale-oil and potash, came to £30,000 a year. Therefore, if the new soap, using rape-oil and other domestic raw material, were encouraged, home production in these commodities would be correspondingly increased. The promoters calculated that, if they were authorized to sell their soap all round at 3d. per lb., they could make a profit of ¾d. per lb. This, on the estimated production of 4,000 tons in 1632, would yield a profit of £28,000; and thereafter, supposing they could monopolize the whole production, the profit would be £70,000 a year³.

In view of these prospects, the syndicate believed itself to be in a position which would justify it in making a large offer to the Crown, on condition that it obtained still wider privileges. Accordingly, in a petition for incorporation, an offer was made of £4 a ton as a payment to Charles I., or alternatively that the company was prepared to sell all the soap it made to the King's agents. Supposing that these agents sold to the public at 3d. per lb., the profit would have been £15 a ton⁴.

¹ *A Short and True Relation concerning the Soap Business*, London, 1641, p. 4; *Fœdera*, xix. p. 323.

² *Fœdera*, xix. p. 328.

³ State Papers, Domestic, Charles I., ccx. 94; *Calendar*, 1631-3, p. 263.

⁴ *Ibid.*, cciv. 115; *Calendar*, 1631-3, p. 213.

The charter of incorporation was duly signed on January 20th, 1632, creating the patentees *the Governors, Assistants and Fellows of the Society of Soapers of Westminster*; and, by an indenture of May 3rd, it was agreed between the Crown and the society that £4 per ton should be paid to the former, while the new soap was to be sold at 3d. per lb. At this stage of the scheme, much may be said in favour of the policy of Charles I. and his advisers. The soap of the society would encourage home industry, it was believed to be equal in quality to the best of that made from train-oil and was not liable to become offensive, if stored. Further, the Crown was within its rights in bargaining for a share in the economies anticipated from the new invention; since, in so far as the soap of the society displaced that already in use, there would be loss of the Customs on imported potash, which were fixed at a comparatively high rate¹. It would appear, too, that on this supposition, while the consumer might suffer to some slight extent in price, he would gain in quality. Averaging the cost of the old soap at 2½d. per lb., there would be a direct loss to consumers, on an output of 5,000 tons, of about £23,000 a year. Since the cost of production was calculated at 2¼d. per lb., the manufacturers' profit on the same quantity would be £35,000, out of which £20,000 was payable to the Crown. Finally, the nett gain to the Revenue would be the latter sum, less the deduction of any decline in the Customs on potash and oil.

It follows, then, that at the beginning of the year 1632 the whole question turned on the quality of the new soap. In April 1632 a trial had been made by a committee of Aldermen of London, which reported that it would wash coarse linen as well as the best sort of ordinary soft soap. They added, however, that more labour was required, and that, generally speaking, the new soap was far inferior to the old². In spite of this unfavourable verdict, the society obtained a proclamation, dated June 28th, 1632, which empowered it to appoint a searcher, who was authorized to forbid the sale of any soap, which did not conform to a standard which he himself fixed. Thus the soap-boilers were placed at the mercy of their competitors³.

The soap-boilers were men of energy and possessed of considerable wealth. They were not prepared to acquiesce in the domination of the trade by the Soapers of Westminster. Complaints of the new soap were frequent. It was said to burn the hands of the washer-women, and to destroy linen⁴. Half of it was stated to be lime and chalk⁵, and crowds

¹ *A History of the Custom-Revenue of England*, by Hubert Hall, London, 1892, II. p. 250.

² State Papers, Domestic, Charles I., ccxv. 111; *Calendar*, 1631-3, p. 321.

³ *Fœdera*, xix. p. 383.

⁴ State Papers, Domestic, Charles I., ccliv. 34 (1); *Calendar*, 1633-4, p. 338.

⁵ *Ibid.*, cclxxi. 40; *Calendar*, 1634-5, p. 137.

of women and "mean persons" marched through the City, circulating these statements and others of like nature¹. Another trial was made, on this occasion by the Lord Mayor who certified that the new soap was as good as the old, and this verdict was supported by the testimony of some eighty persons, varying in rank from countesses to laundresses². The machinery of the Star-Chamber was brought to bear on soap-boilers, who did not submit to the assay-master³. Any part of the defences entered, which was held to reflect on the new soap, was ordered to be suppressed as "impertinent" or "scandalous"⁴. Even a shopkeeper, who embodied the complaints of his customers in a petition, was committed to Newgate⁵.

More convincing evidence of the failure in the manufacture of the new soap is to be found in the course of prices. Already in January 1634 it is recorded in a proclamation that the old soap was then sold at "intolerable rates⁶," and in July of the same year it fetched 6*d.* per lb. in London and was as high as 10*d.* and even 1*s.* in the country⁷. Such an increase of price points to the silent working of economic forces, which fixed the value of the new soap much below that of the old "coarse" variety with the result that, when on the one side the former was to be sold at 3*d.* per lb. and the output of the latter was restricted by seizures, the price inevitably advanced. Under these circumstances, there is little wonder that it is recorded in September 1634 that there were more soap-boilers than ever⁸.

The rise in the price of old soap introduced a new element into the situation. It is clear that, if the creation of the society of Soapers caused a general rise in the value of the product of the boilers, it would be to the advantage of some of these to obtain licenses under the society. By this means the boilers, who compounded, would be exempt from the arbitrary exactions of the assay-master, and they would know what quota they would be permitted to produce. In 1634 the agents of the society were busy seizing unsealed soap in Bristol, Taunton, Kingston-on-Hull and other places. Many boilers, both in London and

¹ State Papers, Domestic, Charles I., cclii. 21; *Calendar*, 1633-4, p. 316.

² *Ibid.*, ccliv. 34, 34 (1); *Calendar*, 1633-4, pp. 337, 338; *Fædera*, xix. p. 509.

³ *Fædera*, xix. p. 506.

⁴ State Papers, Domestic, Charles I., ccxxxvii. 46; ccxliv. 24; *Calendar*, 1633-4, pp. 30, 172, 173.

⁵ *Ibid.*, cclix. 59; *Calendar*, 1633-4, pp. 437, 444, 461, 515.

⁶ *Fædera*, xix. p. 510. This is the longest proclamation in the Collection of the Society of Antiquaries.

⁷ *Fædera*, xix. p. 566.

⁸ State Papers, Domestic, Charles I., cclxxiv. 52; *Calendar*, 1634-5, p. 218.

the provinces, agreed to work under the orders of the society. Two different kinds of agreements were made. In a few instances the boiler was bound to sell the new soap, receiving a salary from the society¹. In most cases, he undertook to produce a certain specified quantity per annum, paying the royalty of £4 to the Crown and a percentage to the society. In Bristol, for instance, the quota of the boilers was 600 tons, which was produced on these terms².

The later modifications of the scheme involved changes in the positions of the different interests. Obviously, if the soap-boilers were forced to pay the same duty to the Crown as the society, and were also to be liable for the cost of licenses, it might be cheaper for them to deal with the King directly, and it was not long before negotiations were opened. Then the exaction of the payment of £4 a ton, from all the chief makers of soap, would tend to augment the sum due to the Crown. These sums were collected by the society, and, if it became involved in financial difficulties or if there was dishonesty, the share of Charles I. might not be readily recovered. There is no doubt that, through the opposition to the monopoly, the expenses were much greater than had been expected³, but on the other side of the account there should have been an increase in revenue from the payments of the compounding boilers. Lastly, there were the consumers, who suffered necessarily from the rise in price. This seems to have affected different districts in varying degrees, but every indication points to a general advance which in some places was very great, amounting to 200 per cent. In the chief soap-using towns, qualities, that had cost 2*d.* before the patent, sold at 4*d.*, and those that had been 2½*d.* were now 5*d.* and even 6*d.*⁴ If, for purposes of a rough estimate, the advance be averaged at 2*d.* per lb. (*i.e.* from 2½*d.* to 4½*d.*) the direct loss to the consumer would be about £140,000 a year on a reduced consumption of 7,500 tons. Therefore, at the beginning of 1635, taking the payments to the Crown, that were due from the monopolies in starch, coal, salt and soap, almost £80,000 a year gross might be expected. This was raised on a rough estimate at a direct loss of between £200,000 and £300,000 a year to the consumer, to which is to be added the further loss falling on trades affected by the artificial increase in prices. The general consequence was that a hypothetical increase of revenue of £80,000 certainly cost the consumer at least £200,000. It may have been that the payments, made by the monopolies, did not exceed the very moderate amounts

¹ State Papers, Domestic, Charles I., ccclvi. 147; *Calendar*, 1637, p. 127.

² *Ibid.*, cccviii. 15; *Calendar*, 1635-6, p. 45.

³ *A Short and True Relation of the Soap Business*, p. 19.

⁴ *Fædera*, xix. p. 566; cf. State Papers, Domestic, Charles I., ccccxlix. 36 (1); *Calendar*, 1639-41, pp. 601, 602.

recorded in the accounts of the Exchequer, but there is evidence which tends to show that many of the payments due were dealt with in a manner which renders them difficult, if not impossible, to trace. When the sum, reserved to the Crown, consisted of a fixed yearly rent, it was assigned to some creditor, to whom the patentees were authorized to pay it direct—this was the case with the rent reserved under the grant to the starch-makers¹. Where the amount receivable was contingent on the output (as in the case of the society of Soapers), money was borrowed on account of the income expected, and thus the gain to the Crown might not appear under its proper head, or would not be traceable except in a reduction of general indebtedness². Even making allowance for such increase in the apparent profits of the Crown from these monopolies, the actual receipts fell considerably short of the original estimates, so that the loss to the consumer was great, while the gain of the Crown was relatively very small.

Applying these data to the financial situation from 1630 to 1635, it will be apparent that some reduction in the adverse balance was effected. At first, the bulk of the improvement was due to the receipts from fines. Thus in the financial year 1630–31 a sum of £74,311 was actually received from compositions for knighthood, and in the following year £80,997 was obtained from the same source³. As yet, the income from the new monopolies, increased taxes and offices for the alleged supervising of trade was not great, so that the total income to be added to the estimate for the year 1630 would not exceed £100,000, leaving a deficiency of £50,000, before provision was made for the payment of debt. In 1632–3 fines for knighthood had fallen to £12,007, but there was an exceptional payment of over £50,000 from Ireland, whereby this year was only slightly below the average of 1630–2. In the two succeeding years (1633–4, 1634–5), the fines only yielded a small amount; and, making allowance for the undisclosed revenue from the society of Soapers and other grants, it seems probable that the deficiency was about £100,000 in each year.

At the beginning of 1635 the condition of the finances was alarming. The debt, which had been very large in 1628, had been increased by the deficits of the intervening years, and future income had been anticipated,

¹ State Papers, Domestic, Charles I., clxxx. 23; *Calendar*, 1629–31, p. 439.

² *Ibid.*, cclxxv., Notes by Windebank, March 19, 1635, cclxxxvi. 43; *Calendars*, 1634–5, p. 592, 1635, p. 13; cf. Hogg, Character of a Projector (MSS. Lib. Trin. Coll. Dublin, G. 4. 8, No. 1) "Hee (*i.e.* the projector) is a rare extractor of quintissences, hee will drawe from the essence oft beare, ale...tobacco...soape, starch, allome, cards...lobsters *cum multis aliis*, the pure spirit of gold, by imposing a fine and an annuall rent."

³ Gardiner, *History*, 1628–37 (1877), II. pp. 348, 349.

in some cases, until the end of 1637¹. The position soon engaged the attention of Laud, and steps were taken to increase the estimated revenue. In spite of the protestations of the society of Soapers, it was compelled to undertake to increase the sum, payable to the Crown, by £2 a ton (*i.e.* from £4 to £6) for the next two years, and thereafter to £8 per ton². The immediate effect of this fresh modification would be to make the royalty about £30,000 a year, or an addition of £10,000. Then the payments arranged with the salt-makers were now accruing to the extent of about £30,000 a year. A further increase was made in the Customs, which was expected to produce an addition of £30,000 a year, and the tobacco monopoly was raised by £20,000³. Augmentations were also made in the rent from the tin farm, from playing-cards, from the Forest of Dean and from the sale of dyewood⁴. A large revenue was anticipated from a proposal for a monopoly of malting⁵. Altogether, the effect of these impositions of various kinds would have been, had anticipations been fulfilled, to make the normal revenue suffice to meet the normal charge, leaving a small estimated surplus available for the reduction of debt.

The finance of the advisers of Charles I. was in its essence a system of indirect taxation of commodities, produced at home, and that too raised in a most wasteful manner by the grant of very wide privileges to so-called trading societies, which were brought into being for the collection of the money accruing to the Crown and which secured for themselves large profits⁶. Both the new revenue and these profits were obtained, not only at the expense of the consumer, but also at that of the trader and manufacturer. In 1636 and 1637 industry had begun to feel the effect of these grants. The great staple trade—that in wool—suffered doubly through the manipulation of the soap-trade, first in the increased cost of that commodity and secondly by the scarcity of potash which was due to the suspension of imports and the demands on

¹ State Papers, Domestic, Charles I., ccxc. 40; *Calendar*, 1635, p. 110.

² *The Works of the Most Rev^d father in God, William Laud, D.D.*, Oxford, 1860, vii. p. 159.

³ State Papers, Domestic, Charles I., cclxxxvi, Notes by Windebank, April 4, 6, 1635; ccxciii. 127; *Calendar*, 1635, pp. 8, 11, 279.

⁴ *Ibid.*, cclxxxv., cclxxxvi., ccxciii., Notes by Windebank, March 16, April 4, 10, July 4, 1635; *Calendars*, 1634-5, p. 583, 1635, pp. 8, 11, 19, 250; G. R. Lewis, *The Stannaries*, p. 219.

⁵ State Papers, Domestic, Charles I., cclxxix. 68; *Calendar*, 1634-5, pp. 391, 392; cf. *A Commission...to Enquire whether Nicholas Page or Sir Nicholas Halse was the first Inventor of Certain Kilns for the Drying of Malt*, 1637, in *Supplement to the Series of Letters Patent*, edited by Bennet Woodcroft, 1858, pp. 53, 54.

⁶ The patentees of salt and soap are mentioned as having made great wealth from their respective monopolies—*The Projector's Downfall or Time's Changeling*, 1642, p. 4.

home-supplies by the society of soapers and the King's saltpetre makers¹. Similarly, the restriction of the production of old soap was a serious blow to the Greenland company, since the chief consumption of train-oil was that of the soap-boilers². The operations of the salt-monopoly were prejudicial to the Fishery society, and in 1636-7 both these undertakings were in difficulties³. The same policy affected the other trading bodies. The tobacco monopoly was highly detrimental to the Bermuda company⁴; while the East India merchants were exceptionally unfortunate, in so far as they failed to provide what was judged to be their share towards the royal necessities and, as a consequence, at the end of 1635 a rival company was authorized, in which Charles I. was to receive a share of the profits. The result was a fall in the price of the stock to 80⁵. A similar breach of faith is shown in the treatment of the New River company. Under the agreement with James I. the Crown was entitled to one-half the profit. In 1631 Charles I. commuted his right for an annual rent of £500 a year, and he immediately granted facilities to rival schemes, which promised larger payments⁶. The position of two companies was exceptional. The African Adventurers were not greatly affected by the various interferences with trade, and the difficulties of that company are to be attributed to want of capital⁷. The original Russian trade (which was now carried on by a separate company, apart from whaling) was one of the few joint-stock companies which gained at this period, since the increase in the supplies for the navy meant an added demand for the chief goods it imported⁸.

A preliminary warning of the cessation of prosperity, through the increased cost of production and the dislocation of trade, was occasioned by the plague of 1636-7⁹. The tendency towards depression was accentuated by religious troubles in Scotland in 1637-8, and in these years there were symptoms of a minor crisis, which was the precursor of that of 1640. The parallel between the two decades 1610-20 and 1630-40 is, in several respects, remarkably close. Both began with great activity in trade, which developed towards fishing and drainage enterprizes. In either period there is the same tendency to stake the

¹ State Papers, Domestic, Charles I., cccxix. 42, cccxxii. 51; *Calendar*, 1635-6, pp. 383, 465.

² *Vide infra*, II. p. 71; State Papers, Domestic, Charles I., cclxxix. 71, 72; *Calendar*, 1634-5, pp. 392, 393.

³ *Vide infra*, II. pp. 71, 366.

⁴ *Ibid.*, II. p. 291.

⁵ *Ibid.*, II. p. 127.

⁶ *Ibid.*, III. p. 25.

⁷ *Ibid.*, II. p. 15.

⁸ *Ibid.*, II. pp. 65, 66.

⁹ The number of deaths in both years from plague in London was 13,482—*Natural and Political Observations...upon the Bills of Mortality*, by Capt. John Graunt, 1665, p. 175, Rushworth, *Historical Collections*, II. 321.

future of an important trade on the success of a new process. Again, there are the same dangerous offices of supervision, the same arbitrary imprisonments, in the early period of gold and silver thread-makers, in the later of the soap-boilers. Still more remarkable, the serious industrial crises, which began in 1620 and in 1640, were prefaced by minor ones about three years earlier, namely in 1617 and in 1637.

If there were any of the advisers of the Crown, who saw that trade was already bearing as many burdens as it could carry without serious danger, the necessities of the Exchequer made it impossible to heed the warning. Pressure was put on the existing monopolies to force the holders to increase their royalties. The society of Soapers was unable to make good its promises of the increased royalty, and the boilers renewed their offer of £8 per ton to the Crown, together with an advance of £10,000 and security for £40,000. The Westminster company signified its readiness to surrender its charter, whereupon its rivals were incorporated in May 1637 as *the Governor, Assistants and Commonalty of the Soap-makers of London*, as a regulated company¹. The reinstated soap-boilers undertook to take over the houses and stock of the dissolved company at the valuation of the latter, which amounted to £23,050, and also to pay £40,000 for the goodwill of the monopoly². There can be no possible defence of the action of the Crown in accepting the offer of the soap-boilers. When the original agreement was made in 1632, it could have been urged that the royalty, payable to the Crown, might be secured, without injury to the producer or to the consumer, by the economies of a new process. The economies, as a matter of fact, had not become actual; and the new company, working by its old methods, would be forced, in justice to itself, to recover the Crown-royalty as well as the sums paid to the members of the late society of Soapers. Moreover, when it obtained a monopoly, it was not in human nature for the soap-boilers to abstain from obtaining pecuniary compensation for their past sufferings by surreptitiously advancing prices, in spite of proclamations to the contrary effect. Therefore, it follows that the consumer was destined to pay heavily for the disturbance of the trade during the past five years; and, until the abolition of monopolies of this character, the price was close upon double what it had been in 1630³.

In other commodities there were similar increased demands by the Crown, which led to very great rises in prices. By 1638 the farm of

¹ State Papers, Domestic, Charles I., ccclvii. 171; Laud, *Works*, *ut supra*, vii. pp. 318, 326, 336; Gardiner, *History*, 1603-42 (1891), viii. p. 284.

² *A Short and True Relation of the Soap Business*, pp. 24-6.

³ State Papers, Domestic, Charles I., ccccxlix. 36 (i.), (ii.); *Calendar*, 1639-40, p. 601.

wine and currants had been advanced to over £60,000, and the vintners were compelled to pay the King £30,000 a year¹. Naturally, the result of this tax was a marked rise in prices, and the same consequence followed a patent for searching for leather shipped, laded, tanned, curried, bought or sold contrary to the law, which had been granted early in 1639². Two other monopolistic companies deserve notice, the one that of the Starch-makers, incorporated in 1638, which was the only body in this group constituted on a strictly joint-stock basis. Its capital was £5,000, and the reserved rent to the Crown, beginning at £1,500 and rising to £3,500, was to be paid before any dividend was made to the shareholders. This grant was justified as one in favour of a new invention, and rates for the sale of starch were fixed³. How easily such rates were evaded is shown in the case of the coal trade. The inner monopoly of some of the Host-men at Newcastle had produced an increase in price at London and along the east coast. For instance, coal, used by the salt-pans at Shields, had advanced by about 40 per cent.⁴ In 1637 there was a dispute between the specially privileged Host-men, who supplied the London market, and the shippers, relative to what was known as the "gift coal," which was an old allowance of five chaldrons, thrown in without payment, upon every 20 chaldrons purchased. On the complaint of the shippers that they no longer received the full measure of "gift coal," the Privy Council intervened and ordered that this allowance should be abolished and that a further duty of 1s. per chaldron was to be paid to the Crown. The effect of this ingenious device was that, whereas formerly the King received 20s. on 25 chaldrons (counted as 20), he would now obtain 50s. Since the price at Newcastle remained nominally fixed at 11s. per chaldron, the merchant would have to pay 275s. for the 25 chaldrons he had been supposed to obtain previously at 220s.⁵ The ship-masters naturally objected, protesting their right to a free and open trade, at the same time offering an annual payment of £3,000 a year, in lieu of the proposed additional impost and petitioning for a charter of incorporation⁶. On April 4th, 1638, the offer to the Crown was increased to

¹ Gardiner, *History*, 1603-42 (1891), viii. p. 287.

² State Papers, Domestic, Charles I., ccccxv. [*Docquet*], March 29, 1639, ccccxxvii. 101; *Calendar*, 1638-9, p. 624, 1639, p. 464.

³ *Ibid.*, cccciv. [*Docquets*], Grant of incorporation and Indenture of covenants, both dated Dec. 13, 1638; *Calendar*, 1638-9, p. 165; *Proclamation for the well ordering of the making of white starch* Brit. Mus. 816. m. 13
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⁴ State Papers, Domestic, Charles I., cclxxxix. 109; *Calendar*, 1635, p. 101.

⁵ *Ibid.*, ccclvii. 111; *Calendar*, 1637, pp. 159, 160.

⁶ *Ibid.*, ccclxxxv. 28; *Calendar*, 1637-8, p. 295.

£10,000 a year¹, and on May 2nd it was arranged that a corporation of ship-masters for supplying London with coal should be erected, subject to the proviso that the new body should not charge more than 17s. per chaldron in summer or than 19s. in winter², this being a material reduction in the recent price, which had been 26s. the chaldron at the ship's side³. At the beginning of the winter 1638-9, there were numerous complaints of the "immoderate price of coal." The recently constituted company maintained that sales were made at the price fixed in the agreement with the Crown, while the brokers and other middlemen also protested that they each received no more than the normal profit. Still the consumer was forced to pay more than formerly, and it was necessary to appoint a committee to ascertain how the advance had been effected. This body distributed the blame over all the interests involved in the handling of the coal. The company of shippers adopted a device of nominally selling a cargo at 19s. the chaldron, while there was a secret understanding that 21s. the chaldron should actually be paid. Through division into smaller measures, the various middlemen retained 3s. amongst them, so that the consumer, who bought in comparatively small quantities, had to pay at the rate of 24s. the chaldron⁴. The whole inquiry is instructive, as showing the futility of the limitation of prices added to monopolistic grants, in which the Crown exacted a tax that could not be paid without a considerable advance in quotations. At the same time, it is interesting to notice that, although many monopolies were recalled by proclamation in 1639, none were included which were either actually producing, or which were expected to produce, any considerable revenue⁵.

It was about this period that the various patents were producing the maximum estimated revenue. Including the different taxes levied upon the home trade, either by monopolistic grants to combinations of producers, to municipalities and to officers for the supervision of industry, it is calculated that £200,000 a year was payable to the Exchequer⁶. According to another account, based on the income

¹ State Papers, Domestic, Charles I., ccclxxxvii. 19; *Calendar*, 1637-8, p. 347.

² *Ibid.*, ccclxxxix. 17; *Calendar*, 1637-8, p. 397.

³ *Ibid.*, cccxc. 1; *Calendar*, 1637-8, p. 422; *England's Grievance Discovered in relation to the Coal Trade*, by Ralph Gardner, London, 1655 (reprint Philipson, North Shields, 1849), pp. 92, 93.

⁴ State Papers, Domestic, Charles I., cccci. 18, 27, 77, cccii. 4; *Calendar*, 1638-9, pp. 88, 91, 104, 105; *Analytical Indexes to vols. II. and VIII. of...the Remembrance*, pp. 98, 99.

⁵ *Fœdera*, xx. p. 340; *English Patents of Monopoly*, by W. Hyde Price, pp. 173-5.

⁶ *The Royal Treasury of England*, London, 1725, p. 284. On the other hand Clarendon, *History of the Rebellion*, Oxford, 1712, i. p. 68, puts the whole sum "drawn from the subject" at this amount.

accrued in 1640-41, the total of the grants, then in being but exclusive of those relating to salt, silk, starch, gold-thread and powder, was £120,955¹. It need scarcely be added that the Exchequer only received a portion of this amount. Some of the "projectors" failed to make their schemes profitable, others it is to be feared were dishonest. Moreover, in the growing financial difficulties, the Treasury had become disorganized; and payments which were due, but were difficult to collect, became involved "in a circular motion from office to office," without effective pressure being brought to bear on the defaulters². Then, when the Ordinary Revenue had been anticipated to a remarkable degree—such as the alum profits which, in 1640, were drawn in advance to 1645 and those of the wine license till 1651³—it was a distinct convenience for the Crown to borrow on the security of the income from the monopolies, and the payments, made by the patentees, were collected by the creditor. Under these circumstances, it is impossible to determine, even approximately, the benefit received by the King from the whole group of monopolies. All that can be said is that it cannot have been very great, but that at the same time it must have been considerable. On the other hand, there can be little doubt that the injury to consumers, as a whole, by the rise in prices was immense. An effort was made, in *the Remonstrance of the Commons* of December 1st, 1641, to calculate the annual loss by the four great monopolies which affected the soap, salt, wine and leather trades. This was estimated at a million a year, to which was to be added that of all the rest "which, if it could be exactly computed, would make up a great sum⁴." The cost to the consumer, occasioned by the four chief monopolies, is divided as follows—soap £100,000, wine £300,000 "while the leather must needs exceed both and salt could be no less than that." It is natural—indeed almost inevitable—to distrust the statement of a controversial document of this character, but the figures, already adduced, tend to show that, as far as soap was concerned, there was a rise in price which would have meant an average loss to consumers of over £100,000 a year⁵. The interference with the leather-trade was comparatively brief; and the meagre records of prices, which survive, do not support the increase stated in *the Remonstrance*. It is probable that in the remaining cases—those of salt and the wine-trade—there is some over-statement but that the advance in price occasioned a very great annual loss. With regard to the latter, it is to be noted that Pym, in his speech of April 17th, 1641, estimated

¹ *Vide infra*, III. p. 528.

² State Papers, Domestic, Charles I., CCCCLXXX. 85; *Calendar*, 1640-1, p. 592.

³ *Ibid.*, CCCCLXII. 10; *Calendar*, 1639-40, p. 393.

⁴ Rushworth, *Collections*, v. p. 446.

⁵ *Vide supra*, p. 214.

the annual loss through the rise in price at £232,000, of which the King received £30,000 and the farmers made a profit of £80,000¹. It has already been shown that the proposals for the creation of the society of Salters would in 1635 have cost the consumers at least £200,000². By 1640 this patent had been surrendered; and, during the later years of the society, there had been complaints of the great price of certain kinds of salt. Although this society was dissolved, the monopoly remained, and the new undertakers, incorporated in 1639 as *the Corporation of Salters in the Salt Works near Great Yarmouth*, had no reason to reduce values³. Therefore collating the statistics available, relating to the total consumption and the rise in prices of the commodities affected between 1628-30 and 1638-40, it may be estimated that the advance at the later date meant a difference, against consumers, of at least three-quarters of a million a year.

The question remains as to how far this rise in prices is to be attributed to the action of the monopolistic grants, since it is possible that this phenomenon might have been only one aspect of a general movement towards a higher level of values. Fortunately, there is sufficient evidence to decide this problem, by separating the commodities acted on by monopolies from those that were unaffected, or influenced by these in a very slight degree. Prominent in the latter groups are the great staple products, grain and wool. Comparing the ten years 1621-30 with 1631-40 the increase in the price of wheat is only about 2 per cent. in the later decade, while the highest quotation of the twenty years is in the earlier period⁴. Wool, according to Rogers, was stationary⁵. Moreover, the scarcity of silver about 1636⁶, in conjunction with the slackening of trade, would tend *pro tanto* towards a lower rather than a higher level of general prices. It follows that the loss, arising out of the increase in the cost of monopolized commodities, is to be assigned, almost altogether, to the influence of these monopolies.

The pressure of the rise in prices of the goods affected was wholly out of proportion to the benefit accruing to the Exchequer. Assuming that benefit (either as disclosed in the accounts or not) to have been in the two most fruitful years £100,000 a year, the position might be

¹ State Papers, Domestic, Charles I., ccccl. 108; *Calendar*, 1640, p. 47; Rushworth, *Collections*, III. p. 1136.

² *Vide supra*, p. 209.

³ *An Answer to those Printed Papers published in March last 1640 by the late Patentees of Salt in their Defence and against Free Trade*, composed by John Davies, 1641, pp. 7-9.

⁴ *A History of Agriculture and Prices*, by J. E. T. Rogers, Oxford, v. p. 270.

⁵ *Ibid.*, v. p. 407.

⁶ Anderson, *Annals of Commerce*, II. p. 488.

stated in the following terms¹. Of the whole revenue, other than that from this source, the only portion that could be described as consisting of taxation was the Customs. Since the cost of collection was about one-sixth² of the total duties, a tax on consumers of about £420,000 produced £350,000. To add a possible extra £100,000, by indirect taxation through monopolies, cost the people, if the foregoing estimate is well-founded, at least three-quarters of a million—that is in other words nearly twice as much as their previous burden, or about the same sum as all the receipts of the Exchequer from all other sources.

It cannot be a matter for surprise that the pressure of the monopolies was a powerful influence in alienating the affections of his subjects from Charles I., and also, when he appealed to the arbitrament of the sword, in depriving him of the support of the mercantile classes. A quantitative valuation of the injury, inflicted on industry by this policy, gives reality to expressions that seem to be the outpourings of excited rhetoric. When account is taken of the increase of the direct burden in rise of price by the curtailment of trade, a reason can be seen for the complaints that commerce alike in London, the provincial towns and the country was “greatly decayed” through this cause, and that the merchants were much impoverished by their estates being “squeezed” from them by the agents of the monopolists³. For these reasons, the nation was described as “groaning under the mountainous weight of these exactions,” or as being overrun “with swarms of projecting cankerworms⁴.” Indeed, according to one writer, “it was a thing somewhat dangerous for merchants, foreign or native, to export or import merchandize upon payment of the ancient Customs...without a second fee or fine to Sir John, Sir Paul or Sir Thomas⁵.”

When matters were in this condition and the nation was distracted by political unrest, any untoward events would result in a serious crisis. Such causes were not wanting in the summer of 1640. Charles I. was in great straits through want of funds. The royal treasury was in danger of bankruptcy, if Parliament chose to be obstructive. Out of

¹ *Vide infra*, III. p. 528—

Total Revenue not receivable after 1641 ...	£120,955
Deduct Premitted Customs and Star-Chamber	
Fines	19,775
Balance, being revenue from Monopolies ...	£101,180

² *A History of the Custom-Revenue in England*, by Hubert Hall, London, 1892, II. 144.

³ State Papers, Domestic, Charles I., cccclxix. 36 (1); *Calendar*, 1639–40, p. 601; Rushworth, *Collections*, II. p. 1263, III. p. 33.

⁴ Speech of E. Bagshaw, Nov. 14, 1640—State Papers, Domestic, Charles I., cccclxxi. 63; *Calendar*, 1640–1, p. 260; Rushworth, *Collections*, III. p. 1129.

⁵ *The Projector's Downfall*, 1642, p. 3.

a total revenue of £862,660, only £334,480 was certain, and, of this, £267,454 had been anticipated. Therefore, Charles I., apart from the grant of tonnage and poundage, could only count on receipts to the meagre amount of £67,026, against a normal expenditure of about ten times that amount¹. London, disgusted by the attack on its property in Ireland² and suffering from a slackening of trade, for which the King's advisers were blamed, refused to make advances. After endeavouring to borrow without success from the Pope, Spain, France and Genoa, he had before him a proposal to debase the coinage. Rejecting this scheme, he seized bullion to the value of £130,000, lodged by goldsmiths and merchants at the mint in the month of July³, and in August the stock of pepper of the East India company⁴. The abstraction of the bullion caused a serious crisis, for it represented a part of the metallic reserve of the London traders. Credit had been shaken by the breach with Scotland, and foreign merchants had been steadily reducing their commitments in England⁵. The sudden diversion of this bullion prevented many, engaged in commerce abroad, from meeting bills of exchange they had accepted. The protestation of these bills led to a cessation of shipments of coin to London. This reacted on the exchange—"the only sinews and livelihood of all trade." The disorder of trade abroad affected the home market. The crisis was followed by failures, and the purchases of cloth and other goods for exportation were greatly reduced⁶. Bankruptcies became numerous; and, with the suspension of credit, the amount of losses multiplied⁷.

It is characteristic of the period from 1631-40 that the joint-stock companies gained less from the prosperity of the times than might have been expected, unless allowance is made for the interference, to which most of them were subjected, and for the peculiar circumstances of the case. Even at the beginning of these years of prosperity, trade had begun to be affected by the coming political strife, and most of the recently formed undertakings were influenced by this tendency. Besides the Massachusetts Bay company, the Adventurers for the Mosquito Islands were mainly Puritans; while, on the other hand, the Fishery society, the African company and the new association for the India trade were formed by the Court party. Such divisions were likely to be

¹ *Vide infra*, III. pp. 528, 529.

² *Ibid.*, II. p. 341.

³ *History of the Bank of England*, by A. Andréadès, London, 1909, p. 18.

⁴ *Vide infra*, II. p. 116.

⁵ State Papers, Domestic, Charles I., CCCCLXXVIII. 86; *Calendar*, 1640-1, p. 524; Rushworth, *Collections*, v. p. 233.

⁶ State Papers, Domestic, Charles I., CCCCLXI. 104; *Calendar*, 1640, pp. 543, 544.

⁷ *St Hilary's Tears*, 1642, in *Harleian Miscellany*, II. p. 199.

disadvantageous to any organization of traders. Besides, the tendency of the Crown to make sudden changes in privileges, already granted, produced an unsettling effect, more especially on the companies immediately affected. The East India undertaking was especially unfortunate. No sooner had the evil effects of the competition of the Dutch been followed by the brighter era of the Persian Voyages than profits again suffered by the licensing of Courten's Association at the end of 1635. For this reason profits declined, and the showing of the ten years from 1631 to 1640 was, on the whole, poor. The aggregate gains of the Second and Third Persian Voyages and of the Third Joint-Stock, for this period, amounted to about £300,000. Meanwhile the Dutch company had paid dividends of between four and five times as much in the same ten years¹. Possibly, in this calculation, allowance should be made for the results of Courten's Association, so as to compare the return on English capital, invested in this trade, against that employed in Holland. Though at first Courten's syndicate made profits, these were succeeded by large losses before 1640, so that it is doubtful if any thing can be added to the account of the English profits from this source². The consequence of the treatment of this trade by Charles I. was not only a meagre return on the capital employed³, but a weakening of the position of the English in the East.

For various reasons by 1640 a number of other companies had suffered loss, and some were either wound up, or on the verge of failure. The Greenland company and the Fishery society were bankrupt⁴. In 1638 the Russia company was again in debt, and the payment of an assessment on the stock was only enforced by the imprisonment of the governor⁵. The Bermuda company was weighted by the manipulation of the tobacco trade by the Crown⁶. Fortunately there were some exceptions. About 1636 a fresh discovery of silver was made in Wales and was mined by a subsidiary company of the Mines Royal which met with some success⁷. In spite of the encouragement of rival water-supply schemes by Charles I., the New River company was able to commence the payment of satisfactory dividends. In 1623 the return on the nominal value of an adventurer's share appears to have been under 4 per cent., rising to 4½ per cent. from 1631 to 1633, while by 1640 it had increased to over 12¾ per cent.⁸ The company for the

¹ G. C. Klerk de Reus, *Niederländisch-Ostindischen Compagnie*, Appendix vi.

² *Vide infra*, II. pp. 113-19.

³ The average annual profit per cent. on the Second and Third Persian Voyages was close on 20 per cent. That on the Third Joint-Stock under 5 per cent.

⁴ *Vide infra*, II. pp. 71, 72, 366, 367.

⁵ *Ibid.*, II. p. 66.

⁷ *Ibid.*, II. p. 402.

⁶ *Ibid.*, II. p. 291.

⁸ *Ibid.*, III. pp. 23, 24, 31.

drainage of Bedford Level had achieved, at least, a partial success, and the land recovered was divided to the shareholders in 1637¹. Then there seems reason to believe that, although the Mosquito Islands were captured by the Spaniards and the English settlement destroyed, the shareholders, not only recovered their capital, but may have made a respectable profit².

During this period, some changes began to show themselves in the manner in which the union of amounts of capital, belonging to different persons, was effected. To a large extent, the favourite direction for the search for profit was towards one of the monopolies for the control of a home trade, which could be obtained from the Crown. The organization of these, where not controlled by an individual, was through a group, nearly resembling a regulated company. For all practical purposes, the body incorporated for the shipping of coals to London was formed on this model. Of the other important monopolies, that which stands closest to the joint-stock company was the society of Soapers of Westminster. While the capital required was owned and used by individual members, these were bound to sell to the society at a fixed price, and the profit made, in retailing, was divisible amongst the generality. Thus, as a producer, this organization conformed to the regulated, as a merchant, to the joint-stock type. The closest analogy is to be found in the Bermuda company, after the division of land had been made³. In the society of Soapers, the estimated production of 5,000 tons was divided into 40 parts, and the possessor of $\frac{1}{40}$ th of the monopoly had the right of making 125 tons of white soap annually⁴. These parts were further sub-divided into fractions, and one-fourth part of one of them was sold at £300⁵. Such a payment would correspond to the fine for the freedom of a regulated company. The difference arose from the fact that with the Westminster Soapers, profits accrued from the sales made by the company in its corporate capacity, and these were divisible, rateably, amongst the members, as in a joint-stock company. Similarly, in the case of the vintners and the wine monopoly, there was another instance of the grafting of a merchants' company on a species of joint-stock company. The vintners, having taken the opinion "of the best counsel that gold could buy," which declared the new impost of 40s. per tun was legal, elected ten of their number to manage the farm. This committee was empowered to invite twenty-seven others to join them. The members were "to underwrite and

¹ *Vide infra*, II. p. 354.

² *Ibid.*, II. 335-7.

³ *Ibid.*, II. pp. 289-97.

⁴ Indenture between the Society of Soapers of Westminster and Sir James Bagg, July 4, 1636—State Papers, Domestic, Charles I., Case D. No. 8; *Calendar*, 1636-7, p. 51.

⁵ State Papers, Domestic, Charles I., ccclxxv. 45; *Calendar*, 1637-8, p. 299.

bring in" £1,000 each, and the capital, so provided, was to pay the two sums of £30,000 and £7,000 due to the Crown for the first year. This body was entitled to any profit on the farm, while the whole body of vintners secured that made on the retailing of the wines. Owing to the advance in prices, there was opportunity for very considerable gains. For instance, there was a difference, as between the wholesale and retail prices of sherry, of as much as 165 per cent. Even after the new duties and working expenses were deducted, it is obvious there should have been a substantial margin, the greater part of which is to be assigned to the retailing¹.

The type of incorporation was altered to some extent by the revival of the word "society," which had been used in the time of Elizabeth. Thus both the soap companies, as well as the members of the salt monopoly and the fishing undertaking, were described in their official titles as "societies." In the two cases, namely those of the Westminster Soapers and the Fishery society, a new element was introduced into the constitution by the inclusion of "fellows," as well as the usual governors, assistants and commonalty.

Amongst the true joint-stock companies, new legal incorporations were comparatively few. When an organization had been constituted by charter, no special legal status was sought for subsidiary companies formed under it. It has already been shown that the society of Mines Royal had created such partnerships at a very early period², and similar subordinate ventures were constituted by the East India company in the Persian Voyages³, by the Fishery society⁴ and by the Mosquito Islands company⁵. Some important undertakings, such as the African adventurers⁶ and Courten's Association⁷, did not seek a formal charter of incorporation; while it is still more remarkable as showing how, at the very time of a rigorous interpretation of the prerogative, the maxim that only the King can make a corporation was not strictly observed, that partnerships began to be recognized as possessed of a quasi-corporate character. This is shown by the appearance of a type of description A. B. and company as for instance *Chevania and company* (1632), *Lopez and Thomas White and company* (1631).

With regard to the shares in companies the practice still varied as

¹ *A True Discovery of the Projectors of the Wine Project out of the Vintners' own Orders*, 1641 [Brit. Mus. E. 165 (13)], pp. 7, 26; *Remonstrance of the Farmers and Adventurers in the Wine Farm of 40^s per tun to the House of Commons*, [1641]—Coll. Broadside Soc. Antiq. No. 316; *The History of the Twelve Great Livery Companies of London*, by William Herbert, London, 1834, i. pp. 156, 157.

² *Vide supra*, pp. 58, 59; *infra*, ii. pp. 395-9.

³ *Vide infra*, ii. pp. 109-11, 126.

⁴ *Ibid.*, ii. 363, 369-71.

⁶ *Ibid.*, ii. p. 14.

⁵ *Ibid.*, ii. pp. 329, 333.

⁷ *Ibid.*, ii. p. 114.

between large and small denominations. The Bedford Level¹ and Mosquito Islands companies² were instances of the former tendency; and, as in similar cases previously, such shares became divisible into fractional parts. The peculiar position of the Bermuda company necessitated careful regulations being framed for the transfer of shares to prevent the voting of "titular men," who still attended meetings after having sold their shares. It was, accordingly, ordered at a Quarter court in 1629 that both parties to a transfer should produce evidence to the company of the sale and purchase, whereupon the new adventurer should be registered as the owner of the shares³.

It is remarkable that some progress towards a limitation of liability was made at this time. In the Fishery society, there had been a loss in 1633 and 1634, and it was resolved that further capital subscribed should be held exempt from any liability for this deficit. It follows, therefore, that under these conditions, capital, the same in every other respect, was rated differently; and, while an original adventurer, besides losing the amount he subscribed, was compelled to pay £54 per cent. as an assessment, the subscriber in 1637-8 received back £68 per cent. of his investment⁴. Again in the Mosquito Islands company it was agreed that any member who had paid calls up to £1,000 a share might elect "not to go farther," in which case he should be free from further calls⁵. This resolution would have raised some interesting legal questions, had it been necessary to assess the shareholders for the payment of the company's debts.

Some light is afforded on the conduct of meetings of shareholders at this time. Since 1629, votes in the East India company had been taken by ballot⁶. The consequence was that, on a division, the voting right of each holding must have been equal. Though the vote by ballot was not universal—as for instance in the Mines Royal and the Mineral and Battery Works⁷ votes were proportionate to the shares owned—this method was in vogue amongst the Regulated companies. An interesting event in this connection affected Charles I., Edward Misselden and the Merchant Adventurers in 1637. The King had "recommended" the company to choose Misselden, as its deputy at Rotterdam. The members, on a vote by ballot, refused to accept the nomination of the Crown, whereupon the King in Council ordered that, in future, no company should use a ballot-box in the conduct of its business⁸.

¹ *Vide infra*, II. pp. 331, 337.

² *Ibid.*, II. p. 354.

³ Rawl. MS. Bod. Lib. D. 764, f. 23^b.

⁴ *Vide infra*, II. p. 367.

⁵ *Ibid.*, II. p. 331.

⁶ Court Books, XII., July 2, 1630, xv., Feb. 6, 1635, xvi., July 3, 1635.

⁷ *Vide supra*, p. 58.

⁸ State Papers, Domestic, Charles I., ccclxvii. 84; *Calendar*, 1637, p. 420.

The change in the fortunes of the East India company had tended to introduce acrimony at its meetings. Since, however, the opposition to the governor and committees was largely personal, few questions of constitutional importance emerge. Many of the charges made were unsupported by proof. It was said that Sir Morris Abbott, the governor, had endeavoured to make himself "a perpetual dictator," a statement which is contradicted by his refusal to allow himself to be nominated, and his deciding all questions, where there was a difference of opinion, by the vote of the majority¹. After the amalgamation of the Persian Voyages with the Third Joint-Stock had been fully discussed and settled by a general court, a motion was made for the appointment of a committee of inspection. The governor refused to put this motion to the meeting and directed the secretary not to take any notes of it². Owing to the factious nature of the opposition, it was found that stockholders, who had copied accounts and documents, were making an "ill-use" of the transcripts by divulging secrets of the company. It was, therefore, resolved that no one should be permitted to read or copy documents, or to "ravel and dive" into the accounts, without the consent of the committees³. This order was confirmed in 1634; and, when the danger of a rival company became a reality a year later, still more stringent measures were taken to preserve secrecy⁴.

¹ State Papers, East Indies, iv. 99.

² Court Book, xv., Nov. 21, 1634.

³ *Ibid.*, xiii., April 17, 1633, xvii., March 10, 1640.

⁴ *Ibid.*, xv., Feb. 6, 1635, April 24, 1635, xvi., Sept. 9, 1635, March 8, 1637.

CHAPTER XII.

THE DEPRESSION FROM 1640 TO 1650.

THE crisis of 1640 was followed by ten years of great depression. For a long period English commerce had gained through the disturbed condition of the chief producing countries on the Continent. From the end of 1640, this process was reversed, and the beginning of the decline is clearly shown by the shock to credit through the seizure of bullion at the mint. Foreign merchants, who had debts due to them at London, endeavoured to secure payment as soon as possible; while the resources of English traders were restricted, not only by the seizure, but also through their inability to collect outstanding accounts. For this reason even those "of good estates and credit were hardly able to go on with trade or to pay their debts and maintain their charge¹." The political unrest prevented the natural process of recuperation; and, as goods were sold, the vendors preferred to hold the proceeds, or even to deposit them with foreign bankers, rather than to run new and unknown risks in trade at home². It follows that, on the one side, foreign capitalists were anxious to reduce their engagements in England; while, on the other hand, London merchants desired to keep their resources in a form which should be realizable on short notice. Some of those, who had been engaged in the working of the monopolies of Charles I., suffered from the abrogation of these, as well as from the efforts of Parliament to exact restitution where their proceedings were held to have been oppressive. Other capitalists, whose assets were in a liquid form, foreseeing serious trouble, emigrated with their effects³; and, in view of these circumstances, it was reported that the trade of the City was "much decayed." The effect of the crisis was shown by the failure of the East India company to secure a reasonable amount of subscriptions

¹ Rushworth, *Collections*, v. p. 505.

² *Ibid.*, v. p. 509; *Anarchia Anglicana: or the History of Independency*, by Theodorus Verax [Clement Walker], 1649, Part II. p. 197; Court Book of the East India Company, xviii., Aug. 25, 1642.

³ State Papers, Domestic, Inter., ix. 61; *Calendar*, 1650, pp. 178-80.

for its Fourth Joint-Stock in 1640; and it became necessary to revert to the system of independent undertakings by the formation of the First General Voyage in 1641, the nominal capital of which was fixed at £80,450¹.

An outbreak of the plague in 1640-1², together with the menacing nature of the political situation, the frequent riots in London and the rebellion in Ireland in 1641, tended to add to the existing difficulties. "No man," it was stated, "could follow his trade cheerfully, whilst the lives of himselfe and family and the publique safety of the Kingdome were in jeopardy," whence the trade of the City was "much more of late decayed than it hath beene for many yeares past³." Merchants, who remained in London, attended the Exchange rather to learn the latest news than to do business⁴. The great staple trade in wool had suffered seriously. In January 1642 Pym had pointed out that "by reason of the ill vent of cloth and other manufactures, great multitudes ...who live for the most part by their daily gettings, will in a short time be brought to great extremity, if not employed. Nothing is more sharp and pressing than necessity and want, what they cannot buy they will take, and from them the like necessity will be derived to the farmers and husbandmen and so grow higher and involve all in an equality of misery and distress, if it be not prevented⁵." That this was no highly coloured picture, meant as an object lesson in the constitutional struggle, is shown by the similar language used by Charles I. in a message to the House of Lords in the following month, where reference is made to the great decay of trade, more especially of the cloth-trade, which had brought extreme want and poverty to many thousands, and which, in a very short time, would exert a marked influence on the very substance of the nation⁶. The outbreak of the Civil War in the following August made these gloomy prognostications but weak anticipations of the actual effects on the cloth-trade. In the midst of a great struggle, involving such vital issues, the distress of the weavers and other artificers finds little mention. Not only was there the diversion of a considerable part of the population from productive occupations together with the usual destruction of property involved in the operations of warfare, but localities, outside the actual spheres of hostilities, suffered in their trade

¹ *Vide infra*, II. pp. 117, 127.

² The deaths from plague were 1450 (1640), 1375 (1641), 1274 (1642), 996 (1643), 1492 (1644), 1871 (1645), 2365 (1646), 3597 (1647)—*Natural and Political observations ...upon the Bills of Mortality*, by Capt. John Graunt, 1665, p. 175.

³ *Petition of the Mariners and Sea-men, Inhabitants in 'and about the Ports of London and the Thames* [1642] in *Somers' Tracts*, vi. p. 39.

⁴ *England's Tears for the Present Wars*, 1644, in *Somers' Tracts*, XIII. p. 172.

⁵ Rushworth, *Collections*, v. p. 509.

⁶ *Journals of the House of Lords*, iv. p. 581.

by the proclamations of both sides, which aimed at controlling trade with London. More especially the orders of Charles I., prohibiting the free passage of cloth, was a staggering blow to the wool trade. The whole national system of distribution of commodities was based on the principle that London should be the chief port for export, and any interruption of the supplies to the capital meant a very serious restriction of trade. In several districts the weavers were unable to obtain work; and, being left without resources, they emigrated in large numbers to the Netherlands¹. The resultant loss to the English cloth trade is only comparable to that sustained through the interference of James I. from 1613 to 1617.

In addition to these elements, arising out of the political situation, there was the financial strain involved in the preparation for, and the carrying on of the Civil War. It is true that, from 1640, the country was freed from the burden of the great monopolies, and therefore Parliament had done all in its power towards lessening the weight of what had been virtually indirect taxation. But, while the mercantile classes as a whole gained from this source, they suffered through the considerable borrowings that were necessary as early as 1640 and which added to the stringency of the money-market. From the time that Parliament took control of the finances, it found itself in arrear. The six subsidies, it had voted, did not suffice for the purposes to which they were to be assigned; and, in June 1641, there was owing £427,800² and at the end of the year the deficit was over £500,000³. In June 1642 the liabilities outstanding had increased to £583,945. 9s. 9d. These were in addition to disbursements of £1,262,185. 9s. 1d. since November 3rd, 1640⁴. It might be expected that a better showing would be made when the rest of the Crown Revenue, besides the Customs, had been made available; but the political disturbance, which

¹ State Papers, Domestic, Inter., ix. p. 61; *Calendar*, 1650, p. 178.

² *Journals of the House of Commons*, II. p. 177.

³ *Ibid.*, II. p. 336—

							£	s.	d.
Subsidies	...	...	...	...	...	...	205,134	5	9
Poll-Money	...	...	...	...	...	...	256,720	18	2
Customs	...	...	...	...	...	...	165,000	0	0
							626,855	3	11
Payments	...	...	...	...	...	...	682,899	8	4
Deficit	...	...	...	...	...	...	56,044	4	5
Outstanding liabilities	...	...	...	...	...	...	448,000	0	0
							504,044	4	5

⁴ *A Declaration concerning the generall Accompts of the Kingdome. With the true State of all Receipts and Disbursements of Moneys* [1642] in Somers' *Tracts*, vi. p. 146.

disorganized trade, would diminish the receipts from this source. The average Crown Revenue, both ordinary and extraordinary, from 1637 to 1641 was £895,819. 5s. 0d.¹ Of this £210,493. 17s. 4d. consisted of payments, such as ship-money, receipts from monopolies &c., which Parliament had declared illegal. The remainder, amounting to £685,325. 7s. 8d., included between £300,000 and £400,000 from Customs, in addition to which there were the rents of Crown property with miscellaneous sources of income². Since the rent of the Customs was reduced to £165,000 and it would be difficult to collect many of the other payments, it may be doubted if in the year 1642 more than half the £685,325. 7s. 8d., apparently available, could be actually collected. Now a revenue of £340,000, eked out by voluntary contributions and the poll tax, would have been totally insufficient to carry on the government, if there had been unbroken peace. The need for money, to keep armies in the field after the outbreak of the war, involved a huge burden on the country. The expenditure on the Royalist forces was defrayed partly from loans made abroad, partly from contributions of supporters and lastly from assessments made on the districts which supported the Crown. While such outlay was an important item in the national account, the financing of the forces of the Parliament was more immediately important as affecting trade, owing to the facts that London was the stronghold of this party and, at the same time, the City occupied a position of outstanding importance in the foreign commerce of England. The cost of the war to be defrayed by Parliament was enormous for the times. It was estimated, in December 1642, that the annual expenditure on the army would be over a million and that on the navy more than £300,000³. Allowing for the cost of government, Parliament was faced by a demand for close on a million and a half in the first year of the struggle. It became necessary to provide funds, through the authority of Parliament, without the assent of the Crown. In November 1642 an assessment on London and Westminster had been proposed at the rate of 5 per cent. on the estimated value of real and personal property, and in February 1643 Commissioners were appointed with powers to make requisitions, at their discretion, over the whole country. It was calculated that, if the tax

¹ State Papers, Domestic, Charles I., DIII. 112; *Calendar*, 1644-5, p. 214.

² *Journals of the House of Commons*, VIII. p. 158. Mr Gardiner, starting from an estimate of the Revenue of Charles I., before the Civil War, of £819,000, given in *Parl. Hist.* IV. p. 118, calculates the amount receivable by the Parliament in 1647 at £450,000 a year. Considering that the yield of the Customs had increased by £97,000 between the two dates, probably the estimate in the text is relatively higher for 1642 than that of Mr Gardiner for 1647—*History*, 1642-9 (1893), III. p. 193.

³ Gardiner, *History* 1642-9 (1893), I. p. 72.

could have been collected in all the counties, it would have exceeded £1,600,000¹. Since, however, the authority of Parliament was not recognized in a large area, it is plain that, even on the basis of the estimates, there would be a deficit, apart from borrowing. Moreover, it was almost inevitable that the estimates should be exceeded. Larger forces than had been expected were required, and an improvised army is a costly army. Not only so, but there were grave suspicions as to the purity of the administration of the Parliament. The system of supervision of expenditure, by means of independent committees, was faulty in principle and was subject to abuses in practice. For these reasons a contemporary critic wrote that "Parliaments were *bona peritura*, they cannot keep long without corruption," and that one "might as easily find mercy in hell as justice in a committee²." Specific instances of bribery are on record³, and complaints were made of the sums voted to members of the House⁴. Information as to the state of the finances was withheld from the people, who could only judge of the situation by their knowledge of the vastly increased taxation, partly in the form of assessments and of the excise⁵ on commodities, partly in an addition to the Customs, by the revision of the book of rates.

How far the estimated expenditure was exceeded may be gathered from the account of the outlay on the army of Fairfax from March 28th, 1645, to March 1st, 1646. There had actually been paid £1,110,115. 13s. 3d. and the dragoons were in arrears for no less than

¹ *Journals of the House of Lords*, v. pp. 601, 602, 619.

² *Relations and Observations Historical and Politick upon the Parliament begun in 1640*, by Clement Walker, London, 1648, in Maseres, *Civil War Tracts*, i. pp. 339-50.

³ Gardiner, *History*, 1642-9 (1893), iv. p. 76.

⁴ *The Royal Treasury of England*, London, 1725, pp. 298-301. Controversial writers formed very large estimates of the total expenses of the Parliament at this period. In *London's Account: or a calculation of the Arbitrary taxations within the lines of Communication* (1647) the expenditure for the five years 1641-6 is stated to have been £17,512,400. Clement Walker asserts that in the same period £40,000,000 had been "milked" from the people—*History of Independency*, Pt. i., p. 8. In *An abstract of money raised in England by the Long Parliament from Nov. 3, 1640 to November 1659* the outlay for that period is variously stated as from between 83 millions to 95 millions—*Harleian Miscellany*, vi. p. 293, *Royal Treasury of England*, pp. 295, 296; *Historical Sketches of Charles I., Cromwell, Charles II., to which is annexed an account of the sums exacted by the Commonwealth from the Royalists*, by W. D. Fellows, 1828, p. lxxiv. (in Appendix); *History of the Public Revenue*, by Sir John Sinclair (1803), i. p. 284.

⁵ It has been shown in the previous chapter (*supra*, p. 216) that, from the fiscal point of view, the monopolies of Charles I. represented a disguised system of excise-duties. Howell mentions (*Epistolæ Ho-Elianae*, 1737, p. 389) that, when Sir Dudley Carleton suggested this impost in Parliament, he was in danger of being sent to the Tower.

43 weeks. The whole arrears on this army alone were estimated to amount to £331,000, making a total charge, on this part of the forces, for 337 days of £1,441,115¹. The City of London expressed the prevalent dissatisfaction with the existing system of peculation and waste in the following terms—the Mayor and Aldermen stated “they could not be unsensible how much arbitrary power hath been, during these distempers, exercised by Committees and others, by whom the good subject hath been oftentimes more oppressed than the delinquents suppressed and who have arranged the receipts and revenues, which were designed to maintain the publick charge, so disorderly and ineffectually that the Kingdom cannot but be unsatisfied concerning the due employment thereof and doubt that much of the publick money hath been employed to private ends and remains obscured in the hands of such as were intrusted with the collection of those assessments and the improvement of all sequestration to the publick and best advantage².” Members of the administration were charged with “artificially confounding the accompts by laying on a multiplicity of taxes; so (for the same reason) they set the money run in so many muddy, obscure channels, through so many Committees and officers’ fingers, both for collecting, receiving, issuing and paying it forth, that it is impossible to make or ballance any publique account thereof; and at least one-halfe thereof is knowne to be devoured by Committees and officers and those that for lucre protect them³.” In similar terms, Thomas Violet describes the abuses and confusion of “petty exchequers,” adding that the Customs and excise had been specially subject to embezzlements, since he knew of as much as £323,500 that had been appropriated by forty persons⁴.

It was unavoidable that the necessities and the extravagance of the government should tend towards increasing the serious depression of trade. In November 1643 the City was described “as drawn dry. Our rich men are gone because the city is the place of taxes and burdens, trade is decayed and our shops shut up in a great measure, our poor do much increase⁵.” It was recognized that, as long as the war continued, whether the expenditure was necessary or not, little remission could be expected; but, once the resistance of the followers of Charles I. began to die out in England, attention was drawn to the burdens imposed on

¹ *Journals of the House of Commons*, v. p. 126.

² *The History of London*, by William Maitland, London, 1756, p. 394.

³ *History of Independency*, by C. Walker, Pt. i. pp. 6, 7.

⁴ *Proposals for the calling to a True and Just Accompt all Committee-Men*, by Thomas Violet, 1656, pp. 31-9.

⁵ *The Parliamentary or Constitutional History of England*, London, 1753, xii. p. 446.

trade, which prevented business from coming to London and left the merchants with insufficient resources to recover the ground that had been lost. Thus the "poor tradesmen" asked in 1647 that taxes should be removed "so that trading may revive, and our pining, hungry, famishing families be saved¹." These accounts of the miseries of the great trade depression obtain definiteness from the decline in the revenue derived from the Customs—a decline which is larger than it appears, owing to revision of the book of rates in 1642². The income from this source was only £225,000 in 1644 (or three-fifths of what it had been before the war), rising to £276,000 in 1646. So far from the cessation of serious hostilities in England producing an improvement, the return for 1647 shows a slight decrease, being £262,000³.

Besides the direct consequences of the situation, there were certain remote effects, more or less closely connected with it. As a special branch of the general condition of trade, there is the position of the great incorporated companies under the Long Parliament. In view of the exceedingly strong language, used in the condemnation of monopolies in the years 1640 and 1641, it might have been expected that these bodies would be fortunate if they escaped condemnation. It seems paradoxical that the same Parliament, which endeavoured to penalize the Soapers of Westminster, confirmed by legislation the Merchant Adventurers and the Levant company in all their former privileges and immunities⁴ (1643); and, in 1646, an ordinance, in favour of the East India company, was passed by the Commons, but rejected by the House of Lords⁵. These declarations in favour of bodies, vested with extensive immunities for foreign trade, apparently point towards the conclusion that there was a consensus of opinion, as between the advisers of the Crown and the members of Parliament, that trade abroad was necessarily subject to different conditions from that at home. The need for ships of large size and armaments might be adduced as a strong argument in favour of the State giving special concessions to such companies, which, either expressly or tacitly, became responsible for the safety of their respective properties. Arguments such as these may have had weight with some of the members, but in a time of acute political feeling it would be idle to neglect the influence of party motives. The East

¹ *The Mournfull Cryes of many Thousand Poore Tradesmen who are ready to famish through decay of Trade*, 1647, quoted by Cunningham, *Growth of English Industry in Modern Times*, pp. 182, 183.

² *Vide supra*, p. 234.

³ Gardiner, *History*, 1642-9 (1893), III. p. 193. Mr Gardiner gives the Customs-revenue for 1645 as £192,000, whereas Mr Hall in *History of the Custom-Revenue in England*, I. p. 184, returns it for that year at £277,000.

⁴ Anderson, *Annals of Commerce*, II. pp. 528, 529.

⁵ *A History of British India*, by Sir W. W. Hunter, London, 1900, II. p. 42.

India company had suffered grave damage at the hands of Charles I., and the members of Courten's Association belonged to the Court party, while it may have been suspected that the King himself had a pecuniary interest in the latter¹. Therefore, the proposed recognition of the company would be designed chiefly as a blow to its rival. The Merchant Adventurers were in a somewhat similar position. The older members would remember the seizure of its charter by James I.; and, within its recent history, there had been vexatious interferences with the meetings of the members by Charles I.² Such "grievances," though less loudly voiced than others, were sufficiently real and were likely to receive sympathetic consideration at Westminster. Moreover, the Merchant Adventurers were able to claim the indulgence of the Commons. In February 1643 the King had written to the governor of the company asking for a loan of £20,000. This letter was communicated by the company to Parliament, with the result that it received the thanks of the House and was offered a convoy to the Elbe³. At the same time, the wording of the ordinances shows a tendency to strengthen the position of the companies, far beyond what can be accounted for exclusively by political motives. While, in the case of the Merchant Adventurers, the ordinance apparently opens the company to all, there were various restrictions introduced, which made entrance in reality more difficult than before. The fine for admission was doubled, all previous privileges of the charters were confirmed; and, most important of all, in both instruments no one was eligible, as a free-man, who was not "a mere merchant" or as it was elsewhere defined "had not been bred a merchant." Thus legislative sanction was given to the idea of limiting membership of the regulated companies to persons who were later described as "legitimate merchants," which device enabled these organizations to maintain themselves as close corporations⁴. In view of these facts, it is highly probable that the ordinances are not the result of any principle, but constitute an instance of the recognition that the companies "had shown themselves serviceable to the State," by ministering to its financial necessities. How great these were can be understood from the pressure on the resources of the Parliament. As already shown⁵, it started with a deficit; and, in spite of the vast sums levied by taxation, the army was often brought to a standstill through want of funds. The borrowings described as "the London loans" were of relatively moderate amounts and were far from tiding over the difficulty. Various expedients were devised to bring in money. In 1642 a discount of no less than 15 per cent. was offered to merchants, who advanced money on the

¹ *Vide infra*, II. pp. 113-18.² *Vide supra*, p. 228.³ *Journals of the House of Commons*, II. p. 982.⁴ *Vide infra*, chapter xv.; also II. p. 142.⁵ *Vide supra*, p. 232.

Customs dues, for which they would become liable in the future¹. Ten per cent. was offered for loans in 1641², but in a short time the real rate became much higher. For instance when £200,000 was borrowed in London, it was alleged that Parliament was forced to pay interest, not upon this sum but upon £230,000³. When the financial pressure was so great, it is not surprising that application was made to the great trading companies. The Merchant Adventurers provided £30,000⁴, the Levant company at least £8,000⁵ and the East India undertaking promised to find £6,000⁶. Therefore, in these instances, there were the double facts of loans, made by the companies to the Parliament, and of a disposition shown by the House of Commons to encourage the companies. The natural inference is strengthened when it is noticed that other companies, which failed to provide money, received no recognition of the privileges they had previously acquired, and that, in the special case of the Russia company, the House of Commons ordered the imprisonment of the governor in 1644⁷.

Another indirect effect of the monetary stringency was the great development of banking. Very soon after the closing of the Mint by Charles I. the goldsmiths began to receive deposits⁸; and, by 1643 the financial necessities of the Long Parliament had caused an influx of Jewish capitalists⁹. The continued insecurity of property had brought about a considerable extension of deposit-banking by the goldsmiths about 1645¹⁰. Several causes co-operated towards producing this effect. The seizure of the bullion at the Mint had given a great shock to credit which was increased by the number of failures. It was estimated that at this date there were 8000 debtors in confinement throughout England and Wales¹¹. At first the want of confidence led to hoarding, which still

¹ *Parliamentary History of England, ut supra*, xi. p. 344.

² *Journals of the House of Commons*, ii. p. 178.

³ Clement Walker, *Relations and Observations in Civil War Tracts, ut supra*, i. p. 343.

⁴ *Journals of the House of Commons*, ii. p. 605.

⁵ State Papers, Domestic, Charles I., iii. 16; *Calendar*, 1644, p. 45.

⁶ *Vide infra*, ii. p. 119.

⁷ *Ibid.*, ii. p. 66.

⁸ *The Rise of the London Money Market*, by W. R. Bisschop, London, 1910, p. 43.

⁹ *Die Juden und das Wirtschaftsleben*, by Werner Sombart, Leipzig, 1911, p. 55.

¹⁰ Sir Thomas Roe, speaking in 1641, described banking as an important trade in relation to the foreign exchanges—*Sir Thomas Roe's Speech in Parliament. Wherein he sheweth the Cause of the Decay of Coin and Trade in this Land in Harleian Miscellany* (1746), iv. p. 412.

¹¹ Cunningham, *Growth of English Industry and Commerce in Modern Times*, p. 191.

further diminished the available supply of money. When Parliament was a frequent borrower at high rates, the tendency would be for mercantile loans to be still dearer; so that persons, seeking capital, had to offer terms that would be tempting to lenders. Moreover, owing again to the stringency, some method of organization was required, which would economize the scanty supply of metallic money available. Several circumstances made the goldsmiths the class fitted for, and desirous to establish banking businesses. Owing to the war, much of their trade in plate had been lost to them, and they naturally sought some new branch which would partly repair this loss. On the other side, in a time of frequent scares, hoarding was dangerous; and, besides, retail tradesmen, who had been in the habit of trusting their till-money to their apprentices, were forced to make new arrangements, owing to many of the latter departing to serve in the army. In these circumstances, the goldsmiths offered to keep deposits at call, allowing a small rate of interest; and they lent out a part of such resources in discounting mercantile bills, and in making other advances¹. Later, these embryo bankers endeavoured to attract additional deposits by dealing with the apprentices, who remained in the city, and to whom they offered 4*d.* per cent. per day (or about 6 per cent. per annum) for the use of their "running cash." Then their resources were increased by deposits of rents, derived from country estates; so that, as time went on, the funds, rendered available by the great increase of banking facilities, exercised an important influence on the monetary situation.

The progress of banking shows that about 1645-6 there was a revival of confidence, and further evidence in the same direction is to be found in the formation of a Second General Voyage by the East India company in 1647-8². Unfortunately, the adverse influences had not yet been exhausted. After a series of five years, ending in 1645, when the price of wheat had been below the average, the harvest of 1646 was bad. Corn rose by close on 50 per cent. The increased cost of living entailed great distress, and in April 1647 the dearth was characterized "as sharper than the late devouring sword³." The south-eastern counties suffered about the same time from the march of the army towards

¹ *The Mystery of the New fashioned Goldsmiths or Bankers*, 1676, pp. 1, 2 (reproduced in *The Grasshopper in Lombard Street*, by John Biddulph Martin, London, 1892, pp. 285-92); *The Rise of the London Money Market, 1640-1826*, by W. R. Bisschop, London, 1910, pp. 43, 44.

² *Vide infra*, II. pp. 120, 128.

³ Rushworth, *Collections*, VI. p. 451. It is noteworthy that in 1643, owing to the departure of yeomen and farm-labourers to the wars, the destruction of crops and seizures of horses for the army, a famine was predicted—*England's Petition to their King*, 1643; *England's Tears for the present Wars*, 1644, in Somers' *Tracts*, XIII. pp. 159, 163.

London. These causes together completely arrested the returning confidence. The City was subject to riots, and for several days at a time all shops were closed and business suspended¹. It was estimated that the loss of trade at this period was as much as £200,000 a week, and the distress was increased by a great rise in the price of coal in the winter of 1648-9, so that it was said that many of "the poor perished with cold and hunger," while amongst shopkeepers there were "thousands, who formerly had trading and work for subsistence, now sitting hunger-starved in chimney-corners without employment to get them bread²." The feeling of insecurity was greatly increased by the losses of ships, sustained by merchants engaged in foreign trade, since, not only were merchantmen liable to seizure by the fleet of Prince Rupert, but privateers of all nations took advantage of the want of convoys, and "most of these traders were discouraged and many undone³." The premium for marine insurance had advanced by 400 per cent., being increased from 2 per cent. to 10 per cent.⁴ The Levant company had suffered very severely, and early in February 1649 the damage it had sustained was estimated at £300,000⁵. During the greater part of the year 1648, this subject was considered by the House of Commons and the Admiralty was directed to supply convoys when it was possible⁶.

Meanwhile, the effects of the great dearth in the rural districts in the vicinity of London were intensified by the exaction of free-quarters by the army. In Essex it was stated that the burden was as great as that of all previous charges put together⁷. Besides, the drought continued, and wheat became dearer. In 1648 the average price was nearly double that of the five years from 1641 to 1645. Comparing this period with that from 1646 to 1650, in the former the average was 34s. 11d. per quarter as against 60s. 7d. in the latter⁸.

These causes all tended towards intensifying the depression; and, in addition, there was the continuation of the war in Ireland and in Scotland, involving the raising of additional resources by the government

¹ *Memorials of English Affairs*, by B. Whitelock, London, 1732, pp. 252, 291, 299.

² *History of Independency*, by C. Walker, Part i. pp. 38, 129, Part ii. p. 151; *The British Bellman*, 1648, in *Harleian Miscellany* (1746), vii. p. 591; *Epistolæ Ho-Elianæ*, by James Howell, London, 1737, p. 431.

³ State Papers, Domestic, Inter., ix. 61; *Calendar*, 1650, p. 178.

⁴ Howell, *Epistolæ Ho-Elianæ*, p. 431.

⁵ State Papers, Domestic, Inter., i. 10 (1); *Calendar*, 1649-50, p. 12. In April, 1650, the losses were returned at a million. *Ibid.*, ix. 34.

⁶ Whitelock, *Memorials*, *ut supra*, p. 296; *Journals of the House of Commons*, vi. p. 45.

⁷ Rushworth, *Collections*, vi. p. 451.

⁸ *A History of Agriculture and Prices*, by J. E. T. Rogers, v. pp. 270-3; *Chronicon Preciosum*, p. 125.

and producing a feeling of insecurity. Owing to the pre-occupation of the chief departments of the State in the serious exigencies of the time, there is comparatively little mention of the great decline in commerce. The joint-effects of the great dearth and the reduction of exports, with a further falling off in the cloth trade, are shown in the danger of starvation amongst the very poor. John Cooke, writing about 1648, says that "good magistrates should save the lives of many thousand poore men and women and children, who are likely to be famished and perished to death¹." In 1649 orders were sent to commanding officers not to remain for more than a week in one place and that they should pay for quarters "lest the poor, whose sufferings were so heavy by reason of the great dearth, should be further oppressed²"; and, in the following year, it is noted that the meaner sort of people had become poor, and those, who had already been poor, were now in danger of "perishing³." An instance of the general poverty is to be found in a report on the condition of Dover in 1649. The revenue for the repair of the harbour had been derived from dues on foreign shipping, and this trade had become so reduced that the piers were greatly damaged, through want of money to effect repairs. From 1642 no less than 60 sail, owned locally, had been lost. Many of the merchants had failed, and others had left the town, so that there were then 200 vacant houses⁴. Under these circumstances, it was inevitable that the cloth trade was in a most depressed condition. The disorganization of agriculture, by military operations, affected the supply of wool. Some of the weavers had become soldiers, and many of them had emigrated⁵. Abuses had crept into the manufacturing of cloth, so that men were not wanting who predicted "the utter ruin of the drapery of England," unless some measures were devised for its regulation and encouragement⁶.

During a period which began with a serious crisis, succeeded by ten years of trade-depression, it is to be expected that the joint-stock companies would be affected. Before the crisis of 1640 many undertakings had already become embarrassed. The Russia and African companies were involved in financial difficulties, and the current joint-stock of the former came to an end about 1646, when its agents were expelled from Russia⁷. The African Adventurers were unable to prosecute their trade, though they tried to obtain a royalty from

¹ *Poor Man's Case*, 1648, p. 27.

² State Papers, Domestic, Council of State to Col. Reynolds, May 5, 1649; *Calendar*, 1649-50, p. 125.

³ State Papers, Domestic, Inter., ix. 34; *Calendar*, 1650, p. 107.

⁴ *Ibid.*, iii. 2; *Calendar*, 1649-50, p. 329.

⁵ *Ibid.*, i. 34, ix. 61; *Calendar*, 1649-50, p. 64, 1650, p. 178.

⁶ *Ibid.*, ix. 5; *Calendar*, 1650, p. 21.

⁷ *Vide infra*, II. p. 66.

merchants, who were prepared to risk single voyages to parts within the limits covered by their charter¹. The Greenland company, possibly, met with some success, since it continued to fit out whaling expeditions; and the fact that other vessels were sent by adventurers, who were not members, tends to show that there were profits to be made². The effect of the Civil War on the societies of the Mines Royal and of the Mineral and Battery Works was in some respects peculiar. The leading shareholders in both were prominently identified with the cause of Charles I.; and therefore, from the outbreak of the Civil War until the Restoration, no governor was chosen by either company, and no meetings were held. At the same time, mining operations were not wholly suspended; for, in 1642, a subordinate undertaking had been formed with a capital of £3,700, and a year's output was estimated to be worth £5,000. This body continued working till the mint at Aberystwyth was seized by the Parliamentary troops, and thereafter traces are to be found of work being carried on by another member of this subsidiary company³.

In many respects the East India company was the most unfortunate of all. When its organization was being improved in 1634-5, a rival association had been founded with the full sympathy and support of Charles I. Such competition depressed the value of the shares, and the company was unable to secure adequate capital to carry on its trade. Under these circumstances, it was an additional hardship that great inroads were made on its scanty resources by the contending parties of the State. Between the "Pepper loan" and advances to the Parliament (£6,000 in 1643-4 and £4,000 to £10,000 in 1649), the company had funds of about £80,000 diverted from its trade. Against this loss, is to be set the coincidence of the loans and Parliamentary support—that of 1643 being followed by a favourable draft ordinance and the later one by an effort to mitigate the competition of the rival body⁴.

To a certain extent the restricted trade of the joint-stock companies, during a period of remarkable depression, is to be attributed to the rudimentary form, which the system had as yet assumed, and to erroneous financial methods. There was always a tendency to revert to the plan of a number of co-existing undertakings, which tended towards weakness and confusion. A still graver error was the habit of dividing the profits, without reserving sufficient sums to provide against any exceptional calamity. Quite apart from all other elements, this difference of method was an immense aid to the Dutch company in the years of strife for the trade of India. If the English company had had sufficient capital, which it could have kept available for trade, opportunities would have

¹ *Vide infra*, II. p. 15.

² *Ibid.*, II. p. 72.

³ *Ibid.*, II. pp. 402, 403.

⁴ *Ibid.*, II. pp. 116-20.

arisen for making profitable expeditions. As things were, the company was not in a financial position to undertake large risks. Thus it was forced to reduce its ventures, and in 1649 it was resolved to send no ships to the East.

Though a convulsion such as the Civil War was highly detrimental to the joint-stock companies, it also affected the regulated bodies. Prominent members of both, who became "delinquents," lost their freedom. In the joint-stock undertakings this resulted in forced sales of stock; and, as in the case of landed property, the prices realised were low¹. But in the joint-stock company, on a revival of confidence, there would be a fresh inflow of capital, so that the restriction of trade would be at a minimum: whereas in the regulated body, once the ordinances had been passed limiting membership to merchants, who had served an apprenticeship to a particular kind of business, the process of recuperation after the depression was unduly delayed, owing to the fact that new resources could only be provided from the savings of those who were already freemen or from borrowings made by them. Besides, the confining of participation in certain trades to what was in practice an hereditary caste of merchants cut off such industries from two valuable accessions of strength. A commercial body stood to gain, on the whole, by the adhesion of self-made men, who had raised themselves from small beginnings by exceptional ability or industry. Also younger sons of the landed families frequently devoted themselves to commerce; and, unless these men started as apprentices, they would find it difficult, if not impossible, to enter the regulated company. In so far as the joint-stock undertakings were open to either class, they gained by the energy of the one and by the relatively wide outlook of the other. Thus the attacks, made later on the joint-stock company by the regulated bodies, originated in the restriction of the membership of the latter, and at the same time constitute indirect evidence to the growing success of the former type of organization. ✓

¹ It appears to be to this period that the statement in the pamphlet—*Strange News from India* (1652)—refers, namely that "actions" or shares were sometimes sold at much more than 40 per cent. discount.

CHAPTER XIII.

JOINT-STOCK COMPANIES UNDER THE COMMONWEALTH AND THE PROTECTORATE.

It is only to be expected that, after the Civil War in Great Britain, the commerce of the country would remain depressed for a considerable period. The combination of unfavourable circumstances was one which involved the disorganization of industry and a very great destruction of wealth. Added to this was the continuance of bad harvests until 1651, and the pressure of high taxation. For these reasons the full force of the losses of the Civil War was felt for several years afterwards in a scarcity of capital for the prosecuting of existing industries or for the starting of new ones. Therefore, the recovery, when it began, was tentative in character and was subject to frequent counteraction.

Despite the continuance of the dearth and the alarming military situation in Ireland and Scotland, the beginning of a revival of confidence can be traced in the year 1650 in England. Scotland had been affected to some extent by different tendencies, and new enterprize showed itself there a few years earlier. This development is marked by the establishment of three factories for the production of broad cloth, at Ayr, Bonnington and New mills (Haddingtonshire), not long after the passing of the act of the Scottish Parliament for the encouragement of this industry in 1645¹. In England the state of trade had been causing serious anxiety in 1649, and the extent of the depression had aroused the attention of Parliament. The position of the East India company was unsatisfactory; since, besides the events which had been prejudicial to other branches of commerce, it suffered from the mal-practices of Courten's Association, which, being on the verge of bankruptcy, had circulated base money in India. The original company had lost £100,000 by these practices; and, what was more important, the native princes held the body, to which they had granted concessions, responsible,

¹ *The Records of a Scottish Cloth Manufactory at New Mills, Haddingtonshire (1681-1703)*, edited by W. R. Scott (Scottish Hist. Soc., 1905), p. xxxiv.

with the result that English trade with India, as a whole, was reduced to very narrow dimensions. It was clear that the situation could not continue, and in January 1650 the House of Commons resolved that the trade should be carried on by one company with one joint-stock¹. After negotiations between the two bodies and with the encouragement of Parliament, lists were opened for the formation of a fresh stock, described as the United Joint-Stock. For the first time, as far as is known, the capital offered for subscription was limited to a definite amount, namely £300,000 nominal; and, in the preamble for applications, it was explicitly announced that the voting rights should be one vote for each £500 of stock².

Though the whole capital offered to the public by the East India company in 1650 was not taken up, the fact that it was possible to make the floatation is an index of an improvement; and evidence in the same direction is to be found in the purchase, up to January 1652, of fee-farm rents, formerly belonging to the Crown, to the value of £273,000³. These land-sales, which continued for the next three years, were absolutely necessary to supply funds for the necessities of the government, which, after pushing taxation to the highest possible point, would have otherwise been faced by a series of deficits so large as to make its position impossible⁴. At the same time, although the purchases show a revival of confidence, these sales had a doubly prejudicial effect. In relation to trade in general, the provision of several millions by the trading classes diverted capital from commerce where it was greatly needed. Then, as affecting the future of the State, there was the

¹ *Vide infra*, II. pp. 118-19; *Journals of the House of Commons*, VI. p. 353; *A History of British India*, by Sir W. W. Hunter, II. pp. 115, 116.

² *Vide infra*, II. p. 120.

³ Gardiner, *History*, 1649-60 (1894), I. p. 281.

⁴ The estimates for the year 1651 were as follows:

Army	£2,115,849	4	8
Navy	559,219	0	0
Add other expenses, say	200,000	0	0
	£2,875,068	4	8

The navy was in debt to the extent of £496,514. An assessment of £120,000 a month was imposed, which with the addition of the Customs and excise would leave an estimated deficit (apart from land-sales) of about three-quarters of a million—State Papers, Domestic, Council of State, Proceedings, March 17, 1651; *Calendar*, 1651, p. 90; *Journals of the House of Commons*, VI. pp. 550, 580, 617. The foregoing estimate exceeds that framed by Mr Gardiner (*History*, 1649-60 (1894), I. p. 417), who seems to have taken the year's charge for the army as twelve times the month's charge. It is clear from Carte MS. LXXIV. f. 7 and other accounts that the month was a lunar one, and the basis of calculation was to take twelve times the "month's charge" and then to add another month to obtain the annual charge. In the case of assessments only twelve months went to the year.

sacrifice of a valuable national asset. These lands were sold for from eight to ten years' purchase on the rents. But, in many cases, rents were about half what they had been before 1640¹. It follows, then, that the sales by the Commonwealth only realized about five years' purchase on the old rents, which, under ordinary conditions, would be the normal ones. Under the circumstances, some of the purchasers must have made bargains exceedingly favourable to themselves. The most remarkable group of cases was that in which full advantage had been taken of the financing of the army-arrears. Debentures had been issued against these, which were sold by the soldiers at a discount of 60 per cent. It is alleged that persons with funds at their disposal bought these debentures at the depressed price, and, on being paid off at par, they invested the proceeds in Crown-lands, thus obtaining the latter at two or three years' purchase, in terms of the sum originally used in purchase of the debentures². That the mercantile classes were becoming more hopeful was shown also by the appearance of a considerable number of new schemes and inventions, prominent amongst which was one for the foundation of a State-bank, with branches in the chief foreign monetary centres³. Finally, that there was some real advance in trade by 1650 is attested by the returns of the Customs, which for that year amounted to £350,000⁴. This sum closely approximates that reached before the Civil War; but, in such a comparison, allowance must be made for some increase in the rates. Taking the average for the two years 1646 and 1647, the revenue from this source in 1650 shows an improvement of about 30 per cent.⁵

One effect of the want of capital was a great extension of the joint-stock system in the formation of unincorporated companies. The tendency, already noticed⁶, towards the adoption of the style "A.B. and Co." increased during the Commonwealth and Protectorate to such an extent that notices of enterprizes, controlled by companies, exceed those owned by individuals. How far these unincorporated bodies were partnerships, how far they had a sufficiently large membership to be called companies in a strict sense, it is difficult to determine. Certainly in some instances the membership was large⁷, and in others there was

¹ Gardiner, *History*, 1642-9 (1893), III. p. 196.

² *The British Bell-man*, 1648, in *Harleian Miscellany* (1746), VII. p. 589; *History of Independency*, by C. Walker, Pt. II. pp. 155, 207.

³ *Vide infra*, III. p. 201; Anderson, *Annals of Commerce*, II. pp. 553, 544; Andréadès, *History of the Bank of England*, pp. 26, 27.

⁴ Hall, *Custom-Revenue, ut supra*, I. p. 184.

⁵ *Vide supra*, p. 236.

⁶ *Vide supra*, p. 227.

⁷ *E.g.* in 1652 *Mainwaring, Hawes, Payne and Company* consisted of 30 persons, interested in the ship *Elizabeth*—*State Papers Domestic, Inter.*, XXVI. 82; *Calendar* 1652-3, p. 68.

a regular constitution with a committee of management¹. The following are some of the titles of unincorporated companies—*Samuel Vassall and Company*, *Samuel Lemott and Company*, both in the African trade². In the whaling industry, besides the Greenland company, there were at least four others, some of which had a considerable membership, one being described as *the Hull Company* or *the Hull Adventurers*³. Trading to the East Indies, there were *Thomas Barnardiston*, *Thomas Bludworth*, *William Love and Company*, also *Thomas Kendall and Company*⁴. Other similar organizations, connected with shipping, include *Henry St. John and Company*, *James Pickering and Company*, *Thomas Cowell and Company*⁵, *Thomas Fowke and Company*, *Thomas Drawatter and Company*⁶. Connected with home trade there were competitive offers from two partnerships for the working of the postal service⁷, and from 1653-6 there was an undertaking, known as *John Jervase*, *Molyns*, *Richardson and Company*, which owned the powder-mills by which the government was supplied⁸.

The formation of the large group of unincorporated companies was occasioned also in part by the position of the chartered organizations. During the Civil War, the privileged bodies had suffered from having no constituted authority, that could give time to consider their position; and, meanwhile, any group of capitalists, which was prepared to risk a voyage within the areas, reserved by the charters, had a reasonable prospect of enjoying the proceeds of the expedition undisturbed. It has already been shown that the urgency of the case of the East India trade caused this branch of the general question to be dealt with hastily⁹. In the remaining departments of foreign commerce, where chartered companies existed, there was a full enquiry by the Committee for Trade and Foreign affairs. Ample opportunities were afforded for the established companies and their opponents to give evidence and to submit their main contentions in writing. In the special circumstances of the Turkey trade, the arguments for and against the existence of a regulated company were interchanged between the parties, and the Committee undertook to consider the replies, which it invited¹⁰.

¹ *The Adventurers in the Ship William to the East Indies*—Home Miscellaneous, xxvi. at the India Office, cf. Hunter, *History of British India*, II. p. 122 (note).

² *Vide infra*, II. p. 15; State Papers, Domestic, Inter., cliv. 84; *Calendar*, 1656-7, p. 341.

³ *Vide infra*, II. pp. 73, 74.

⁴ Hunter, *History of British India*, II. p. 121.

⁵ *Calendar State Papers, Domestic*, 1651-2, pp. 217, 342, 345, 1655-6, p. 350.

⁶ State Papers—Board of Trade Commercial Series II. vol. 691.

⁷ *Vide infra*, III. pp. 41, 42.

⁸ *Calendar State Papers, Domestic*, 1655-6, pp. 130-1; cf. *infra*, II. p. 472.

⁹ *Vide supra*, p. 245.

¹⁰ State Papers, Domestic, Committee of Trade, Proceedings, May 7, 1652; *Calendar*, 1651-2, p. 235.

The most interesting proceedings were those affecting the African and Greenland trades. As against the two old companies, were arrayed several partnerships composed of those who had entered on these trades or who proposed to do so. Out of the mass of arguments, put forward on both sides, a number may be dismissed as irrelevant, as for instance the contention of a company of independent adventurers to Guinea, which promised to import £300,000 of gold dust the first year and to double that amount after six years¹. Equally illusory were the professions of public spirit and the desires of a freer trade, which were made by the newer partnerships; since it appears that, in several cases, the same persons, as independent adventurers in one of these trades, argued in this way; while, as members of some privileged company, in that capacity, they participated in petitions for maintaining the most exclusive privileges. Thus the chief opponents of the African undertaking—Samuel Vassall and company—were members of the chartered East India body²; while Thomas Horth, who with his partners offered a determined opposition to the Greenland company³, appears to have been the same person who had been the moving spirit in the coal-shipping monopoly of 1639, which was condemned as oppressive⁴. On the other hand, it was clear that neither of the companies could make out a reasonable case for an absolute monopoly, whether of the whole west coast of Africa or of all the whaling grounds. While some of the petitioners were new-comers, others had gradually built up an established business, and it was equitable that their enterprizes should be respected. For similar reasons the argument, in favour of the old companies, based on the right of discovery, can have little weight, since the African undertaking had possessed a nominal monopoly for twenty years and that for the whale-fishing for about half a century.

Omitting the extreme contentions on either side, the Committee for Trade had to deal with the actual facts as they were, and there were grounds pointing towards two different conclusions. It was argued that the established companies had not taken the fullest advantage of their opportunities; as for instance that the African Adventurers had failed to establish trading posts on more than half the area within the limits, prescribed by the charter, and that the whaling organization, by reducing its fleet, had enhanced the price of train-oil⁵. The former

¹ State Papers, Colonial, xi. 13; *Calendar, Colonial, 1574-1660*, p. 331.

² "We humbly conceive that they [Vassall and Co.] speak not against the East India company because most of them are members thereof"—*Ibid.*, xi. 15; *Calendar, Colonial, 1574-1660*, p. 339.

³ *Vide infra*, II. p. 74.

⁴ *Vide supra*, p. 220.

⁵ It is stated by Thomas Violet that, if there had been no Greenland company, the price of oil would have been 20% to 30% less—*Mysteries and Secrets of Trade* (1653), p. 9.

company replied that it had a quick-stock of £40,000, unemployed in Africa, which it had not been able to invest in commodities or negroes there, while the Greenland adventurers complained that the restriction of their trade had been due to attacks made upon their men by the rival whalers. The aggressive nature of seventeenth century competition constitutes one important element in the situation. The evidence is clear that great violence was used on both sides and, certainly, not least by the independent traders. For instance, in the case of the African dispute, the chartered company had purchased a station from the local chief at Wyamba about 1633. Buildings were erected, and the place had been in constant use, until the capture of some ships by Prince Rupert involved a re-arrangement of the staff. On the arrival of a new factor and his party, it was found that the agents of Vassall and company had seized the station, burned it and then fired on the boats of the company. Even in the far north, there were similar scenes of violence. At this period, it was usual for the boiling of the blubber to take place on shore, and there were frequent collisions, accompanied by bloodshed, between the crews of the various companies. Considerations such as these suggest that the solution was to be sought by way of the grant to each company of a reserved area.

On the other hand, it was argued that, in the African trade, the freer it was, the greater the export of English goods would be; and similarly, in whaling, a perfectly open trade would increase the quantity of shipping. Recent experience had afforded some guidance on these points. Just as had happened in the case of Hawkins nearly a hundred years before¹, the reckless commander of some isolated expedition, by seizing negroes forcibly, aroused the hostility of the natives over a wide area against all the regular English traders. This had happened not long before the enquiry of 1650, and many of the members of such an expedition had been killed. Again, it was urged that the effect of competition had been to reduce the price of English goods, sold in Africa, and to increase that of the commodities, received in exchange. This element was important in relation to the profits of the trade; but, in addition, it was argued that competition at any given point increased the working costs of an expedition. Where a ship could count on obtaining a cargo, it was possible to return to England in about nine or ten months: if the vessel was delayed by having to wait for her lading, the time of absence was almost doubled. Prior to the adoption of lead or copper sheathing², such a protracted absence on the African coast meant that the cost of repairing the ship was almost as much as the original outlay.

¹ *Vide infra*, II. p. 9.

² *Ibid.*, III. pp. 105, 106.

The settlement made in both cases was based on a common principle, with some slight variation in the details. That affecting the African trade was reached in 1651, and it assigned a monopoly to the company of the commerce of the coast-line, where it had factories established¹. Two years later, the whaling problem was dealt with by the appointment of a committee of management, elected by the different companies. A few years afterwards this arrangement was modified, and here also the idea of reserved areas was adopted, the Greenland company obtaining the monopoly of Bell Sound and Horn Sound, while other whaling grounds were left open².

The arrangement for regulating the African trade was a return to the methods of the time of Elizabeth, when it will be remembered that a similar solution had been adopted in the establishment of the African company, known as the Senegal Adventurers³. Another aspect of the commercial policy of the Long Parliament, namely its attitude to the shipping industry, is sometimes regarded as a return to Elizabethan methods. This policy finds expression in the Navigation Act, which was passed on October 9th, 1651 and which was to come into operation on December 1st of the same year. In so far as this measure aimed at building up English sea-power, it represented an ideal which had been constantly before the mind of Charles I., and which had resulted in the imposition of the tax of ship-money. Besides the fostering of naval force, the Navigation Act was designed to effect a revival of the English carrying trade. Towards the end of the sixteenth century, the importance of this industry had been the envy of the chief commercial nations of Europe⁴. In the first quarter of the seventeenth century, through various causes, while it had advanced considerably, English shipping was less supreme than it had been. There was an improvement up to 1640; but, during the Civil War, there had been a very great decline. The volume of trade had been much reduced; and, of that smaller amount, English ships carried a less proportion. The reason for this is obvious. The merchant, who consigned his goods in an English bottom, was subject to quite exceptional risks, owing to the activity of the privateers of Rupert and of the countries in sympathy with the Royalist cause. During the Civil War, English merchantmen were an easy prey, and there was little risk of reprisals. Therefore, it was inevitable that the merchant, who had any choice, would decide against employing an English vessel.

The accounts of the great losses of ships, as well as the statement that those which remained were not fully employed, show the consequences of the war on the carrying trade. In spite of the statement of Adam

¹ *Vide infra*, II. p. 16.

³ *Ibid.*, II. pp. 10, 11.

² *Ibid.*, II. pp. 72-4.

⁴ *Vide supra*, p. 83.

Smith, it may well be questioned whether, on the whole, the Act was wise, and especially whether it was desirable at this particular time¹. It is necessary to bear in mind several distinct considerations, in investigating the causes and effects of the measure. If any parallel be drawn between England in the time of Elizabeth and in that of the Commonwealth, it must be noted that Burghley was on the whole opposed to this type of legislation². Moreover, weight must be given to the feeling in Holland before and after the Act, since much depended upon whether war between the two countries was inevitable or not. Judging from the proposals, made by the Dutch Commissioners in June 1651 (that is nearly four months before the passing of the Act), they were prepared to grant England substantial commercial concessions. It was proposed that colonies of both countries in America and the West Indies should be open to the subjects of either, and that Englishmen should not be called upon to pay higher taxes in Dutch territory than the natives and conversely³. It follows, then, that neither on the grounds of precedent nor of national security was the Act an immediate necessity. Further, as far as can be gathered, the passing of this measure in 1651 was a serious error. The chief cause of the decline of shipping was the series of circumstances, arising out of the Civil War, which precluded the attention of the government being given to the carrying trade. With the re-organization of the administration, it should have been possible, within a short time, to have effected a remedy. Instead of trusting to the natural development of trade, which had already begun and which would have gained increased momentum once the main causes of the depression had been removed, Parliament made the mistake of legislating to remove a temporary decline in trade, as if it were likely to be a permanent one. Moreover, the decay of shipping was not an isolated phenomenon, it was symptomatic of the general industrial situation at the close of the Civil War. After the immense losses of wealth during the struggle, the country had an insufficient capital to re-open immediately the trades that had diminished or ceased since 1641. Not only so, but many of the skilled workers had emigrated or fallen in the wars, and therefore the process of recuperation, under the most favourable conditions, would have been slow. The passing of the

¹ "It is not impossible, therefore, that some of the regulations of this famous act may have proceeded from national animosity. They are as wise, however, as if they had all been dictated by the most deliberate wisdom. National animosity at that particular time aimed at the very same object which the most deliberate wisdom would have recommended, the diminution of the naval power of Holland, the only naval power which could endanger the security of England—*Wealth of Nations*, iv. ii. (Ed. E. Cannan, i. p. 428, contrast however, ii. p. 115.)

² Cunningham, *Growth of English Industry and Commerce in Modern Times*, p. 70.

³ Gardiner, *History*, 1649-60 (1894), i. p. 365.

Navigation Act involved a further disorganization of trade, superimposed on that occasioned by the Civil War. The immediate effect of the Act was that there was a great interruption of trade; since it was alleged there was not sufficient English shipping to carry the imports and many merchants were unable to obtain supplies of goods or raw materials¹. It was not long before the administration perceived some of the inconveniences of the change, and for several years the Order Books of the Council of State contain numerous entries, permitting certain persons to be freed from the operation of the Act². In addition to the immediate dislocation of the national production, through the temporary interruption of imports, there was, to a certain extent, a permanent burden placed on several trades, chiefly those dealing with foreign countries and enterprizes in remote places. In theory, it was supposed that ships would be required, not only for the colonial trade, but for that with Europe. At the same time, this change meant that, in some cases, trade was restricted; in others the cost of freight was increased; or again the profits of vessels were diminished, and the cost of ship-building was advanced by one-third; while, in the working of the Greenland trade, it was found that the outlay on the voyages was higher than had been usual in the past³. It follows, then, that the estimated benefits were remote: while the losses were immediate and, in certain instances, pressing. From the point of view of the industrial situation early in 1652, the effects were exceptionally unfortunate, in so far as the trade-revival which had just begun was to some extent checked; and the free interchange of commodities, which was required to enable capital to be accumulated to restore the losses of the war, was greatly interrupted.

All the consequences of the Navigation Act, already indicated, would have followed had there been no Dutch War; and it cannot be doubted that, while there were other causes tending towards a rupture, one of the main grounds of the conflict was the irritation, caused in Holland, by the operation of this Act. It is to be noted that the first engagements, in the Channel in May 1652, were the immediate outcome of interference with Dutch shipping, which were occasioned by the provisions of the measure⁴.

The official justification of the war is of great interest, since claims were explicitly made by England on Holland for the damages sustained

¹ Anderson, *Annals of Commerce*, II. p. 552.

² *A Detection of the Court and State of England*, by R. Coke, 1719, II. p. 75.

³ *Discourse on Trade*, by Roger Coke, London, 1670, p. 5; *A Detection of the Court and State of England*, by R. Coke, 1719, I. p. 418.

⁴ *Letters and Papers Relating to the First Dutch War, 1652-1654*, edited by S. R. Gardiner, *Publications* (Navy Records Soc., 1899), I. pp. 197, 234.

by the East India, the Russia and Greenland companies, through the action of Dutch subjects. Such a claim raised an important matter of principle, governing the whole question of the monopolies of trading companies. It was urged, at a later date with considerable force, that a strong argument in favour of such grants was that thereby the companies undertook the obligation of self-defence. Upon such grounds then, supposing they suffered loss, they were barred from securing the intervention of the State on their behalf at the risk of a serious war. On the other hand, if the State undertook, and was able, to protect English commerce in the most distant parts of the globe, a strong claim for the making of trading monopolies falls to the ground.

The war lasted from the summer of 1652 until July 9th, 1654. During that period Dutch commerce suffered very greatly. Trading in Holland was described as "dead, corn dear, fishing prevented and the people very unquiet¹"; while the loss of ships, captured by the English fleet up to the end of 1653, was estimated at 700 sail², and the total prizes, over the whole war, taken by the British at 1,700³. Naturally, the captures were not on one side only, and many English vessels were seized by the enemy. Trade to the Baltic and to the Mediterranean had almost ceased, and the interruption extended to other branches of commerce, apparently outside the range of hostilities. In 1654 the African company and the independent traders had sustained an aggregate loss of £300,000⁴, while all the undertakings, engaged in whaling, were unable to import any oil in that year⁵. Partly through the war, partly owing to a want of assimilation of the original East India adventurers and the members of Courten's Association, who had joined in the United Joint-Stock, there were great dissensions in this body. In 1653 it was resolved that no ships should be sent to India; and, in order to retain the trade, the Council of State licensed persons, who were not free of the company, to make voyages to the East, irrespectively of the existing joint-stock. At the same time, the renewed depression, caused by the war, was to some extent mitigated in certain exceptional directions. The East India company received £85,000 from the rival Dutch undertaking, while in 1654 the Russia company formed a new joint-stock and secured re-admittance to Russia. Up to August 15th, 1655, this body had exported from Archangel goods to the value of £330,000⁶,

¹ *Memorials of the English Affairs*, by B. Whitelocke, London, 1722, pp. 553, 559, 561.

² Anderson, *Annals of Commerce*, II. p. 562.

³ *A Detection of the Court and State of England*, by R. Coke, 1719, II. p. 57.

⁴ *Vide infra*, II. p. 16.

⁵ *Ibid.*, II. p. 74.

⁶ *Ibid.*, II. p. 67; Thurloe, *State Papers*, III. p. 713.

and about the same time at home an influential company was formed (in which Cromwell was interested) for the smelting of iron with coal in the Forest of Dean¹.

Not only had the Dutch War been prejudicial to trade but it produced a grave strain on the finances. Owing to the cost of military operations in Scotland in 1651, the estimated expenditure for that year had been over two and three-quarter millions². For 1652 it was about two and a half millions; and, since it is recorded that the Treasury was "much distracted," it is probable that the actual outlay was very much more³. Although on June 2nd a committee was appointed to consider how a considerable retrenchment of the army and an improvement in the revenue might be effected⁴, the estimate for both services in 1653 showed an increase, which brought the total to over two and three-quarter millions⁵. On the estimate, there was a deficit of £508,504; which was increased by the excess of the actual expenditure on the navy, making the adverse balance, irrespective of the army, over £800,000 for the year⁶. For 1654 the actual cost of the navy was £1,059,382. 18s. 9d.⁷

The financing of the repeated deficits, each of which was approximately equal to a year's revenue of Charles I., was an exceedingly difficult problem for a government which had already exhausted its

¹ *Vide infra*, II. pp. 460, 461.

² *Vide supra*, p. 245, note 4.

³ State Papers, Domestic, Council of State, Proceedings, Sept. 30, 1652; *Journals of the House of Commons*, VII. 52, 70, 122, 128, 208. The estimate for the army is from Xmas 1651 to Xmas 1652, that for the navy is framed on different bases according to the changing conditions. It varies from £829,490 to £1,085,315. Taking it at £1,000,000 the following estimate may be arrived at:

Army	...	...	...	£1,328,579
Navy (as above)	...	...	...	1,000,000
Other expenses	...	...	...	200,000
				£2,528,579

⁴ *Journals of the House of Commons*, VII. p. 138; Whitelocke, *Memorials*, p. 534.

⁵ *Journals of the House of Commons*, VII. pp. 224, 300—

Army	...	...	...	£1,443,680
Navy	...	...	...	1,115,000
Other expenses	...	...	...	200,000
				£2,758,680

⁶ Navy estimate	...	...	...	£1,115,000
„ actual	...	...	...	1,410,312
				295,312
Add estimated deficit	...	...	...	508,504
				£803,816

—MS. Rawlinson (Bod. Lib.), A. 195 a, f. 241; *Journals of the House of Commons*, VII. p. 300.

⁷ MS. Rawl. A. 195 a, f. 241.

credit. The taxation imposed in 1650 could not be maintained, so that there only remained one resource, namely the sale of Crown, Church and forfeited lands. From this source, as well as the fines imposed on delinquents, which amounted to £1,304,957. 2s. 1d., the greater part of the deficiencies had been met¹. At the dissolution of the Long Parliament in April 1653, the State was indebted to the extent of £700,000. But this form of statement only disguises the magnitude of the strain on the finances. Had it been possible, through a more developed system of credit², for the government to have effected loans to the extent of its annual deficits, though the debt would have stood at a very much higher figure, the valuable assets of Crown and forfeited lands would have remained intact. As it was, apart from speculation and irregular dealings by officials, by far the greater part of this property had been disposed of, and that at a very great sacrifice³.

Altogether apart from the question of the financial methods adopted by the Long Parliament, it is clear that the situation, as it actually existed, would ultimately affect the policy of the Protectorate. It had only been possible to maintain the forces, at the level of the last five years, by drawing on resources which were now practically exhausted. Moreover, it was found impossible to retain taxation at the great height of recent years. In September 1654 Cromwell admitted that the purse of the nation could not have been able much longer to bear war-expenditure⁴, and in November it was stated in Parliament that "the counties are generally exhausted of all the monies. Men are forced to mortgage their lands and to sell in some places the very beds from under them to pay the taxes; and the cheapness of commodities is not so much from the plenty, as from the scarcity of money, which is drained so

¹ *A Catalogue of the Lords, Knights and Gentlemen that have compounded for their Estates*, London, 1655; reprinted by Fellows, *Historical Sketches of Charles I.*, Appendix, pp. xiii.-lxxiv. The oppressiveness of the proceedings to obtain money from fines aroused the sympathy of Cromwell who said "that poor men, under this arbitrary power, were driven like flocks of sheep by forty in a morning to the confiscation of goods and estates, without any man being able to give a reason why two of them had deserved to forfeit a shilling"—*Oliver Cromwell's Letters and Speeches*, edited by Thomas Carlyle (Copyright edition), iv. p. 40.

² It is from this point of view that the various proposals of Benbrigge, Gerbier and Lambe for the foundation of a bank (*vide infra*, III. pp. 200, 201) are explained. In addition to these, Cromwell made overtures to Francis Frescobaldi with a view to the establishment of a bank, in which Cromwell himself proposed to invest 60,000 ducats—*The Interest of Ireland in its Trade and Wealth stated*, by Richard Lawrence, Dublin, 1682, Part I.—Preface.

³ Cromwell, speaking on September 17, 1656, said that "we had no benefits of those estates at all considerable"—Carlyle, *Cromwell*, *ut supra*, iv. p. 214.

⁴ Carlyle, *Cromwell*, iv. p. 32.

continually from the country by their monthly taxes as it never returns again in such plenty. And if this drain should run long, it would, nay it is to be feared, that it will make the poor tenant and farmer to run too; and ere long the very landlord himself¹." Therefore, if the Protectorate was to remain solvent, being without the extraordinary receipts of the Long Parliament and being compelled to reduce the assessments, it must carefully avoid any policy of adventure. There remained one alternative, namely the continuance of both forces on a war-footing by means of new extraordinary receipts. It was supposed that, by reverting to the practice of seventy years before, a war with Spain in the West Indies could be made to pay its way², and in the latter half of 1654 the fleet sailed on this mission. The analogy to the time of Elizabeth was misleading. Then England had no American possessions: whereas now colonies had been founded, and, as far as the Navigation Act was effecting its purpose, a reserved trade was being built up with the plantations. Thus, in the changed circumstances, England was subject to reprisals. Besides, the successful Elizabethan expeditions had been those of small syndicates of adventurers; while, as shown elsewhere³, the large ventures had failed to make any very considerable captures. The sending of the fleet would be open to all the disadvantages of previous extensive equipments and also to grave diplomatic objections. All through the earlier raids on Spanish commerce, considerable care was taken that the State should not be ostensibly involved; while the sending of the fleet of the Protectorate could not fail to be regarded as an unfriendly act, reacting seriously on the considerable trade of England with Spain. For these reasons, it follows that the anticipated gain from the expedition to the West Indies could not be realized, and that the country would be forced sooner or later to face the expense.

The estimates for the year 1655 were made to balance, owing to the assessments in England, Scotland and Ireland being calculated at the very high figure of £1,320,000. The total outlay provided for was two and a quarter millions⁴; but in the case of the navy, the estimated charge

¹ *The Diary of Thomas Burton from 1656 to 1659 with an account of the Parliament of 1654 from the journal of Guibon Goddard*, edited by J. T. Rutt, London, 1828, i. p. lxxvi.

² *The World's Mistake in Oliver Cromwell: Or a short political Discourse, shewing that Cromwell's Male-Administration...laid the Foundation of our present Condition in the Decay of Trade*, 1668, in *Harleian Miscellany*, i. p. 283.

³ *Vide supra*, pp. 85, 98.

⁴ This was exactly the amount of the estimated revenue (Gardiner, *History*, 1649-60 (1901), III. p. 82, where the details are given). The assessment however should at the most have brought in £900,000 (*Journals of the House of Commons*,

was exceeded by close on £90,000¹; and, in addition, there was probably a large deficiency in the sum, received from the assessments, as compared with that estimated. For the year 1656 the estimates showed an adverse balance of over £350,000; but, by the exercise of economy, the outlay on the navy was reduced below the estimate by £131,461². The following year (1657), the estimates showed an increase, almost repeating the figures of 1655³. On this occasion, there was no deficit on paper, and the actual expenditure on the navy was less than that calculated⁴;

vii. pp. 387, 392, 395). This would reduce the estimated revenue to £1,842,000. The estimated expenditure is as follows:

Army	...	...	...	...	...	£1,508,000
Navy	...	...	...	...	...	480,285
Other Expenditure	...	...	...	...	...	258,000
						£2,246,285

—Add. MSS. (British Museum) 4,156 f. 89, 28,854 ff. 1-7, 32,471 ff. 53, 54; Burton, *Diary, ut supra*, i. pp. lxxxvi., cxxi.

¹ Estimate Navy	...	...	...	...	...	£480,285
Actual „	...	...	...	...	...	569,512
Excess Expenditure over estimate						£89,227

² Estimated Expenditure (1656)

Army	...	...	...	...	...	£1,051,819	12	0
Navy	...	...	...	...	...	900,000	0	0
Miscellaneous	...	...	...	...	...	124,220	15	10
						£2,076,040	7	10
Estimated Revenue	...	...	...	...	...	1,720,478	4	0
Estimated Deficiency	...	...	...	...	...	355,562	3	10
Deduct saving on the Navy	...	...	...	...	...	131,461	11	8½
						£224,100	12	1½

—Carte MS. LXXIV. f. 7; MS. Rawl. A. 195 a, f. 241: cf. Gardiner, *History*, 1649-60, iii. (Supplementary Chapter 1903), p. 4 (note), where the details of the receipts are printed.

³ Estimates 1657 (for Great Britain only)

Army	...	...	£1,132,489	0	0	Assessments	...	£1,464,000	4	0
Navy	...	...	994,500	0	0	Customs and Excise	...	700,000	0	0
Miscellaneous	...	...	200,000	0	0	Miscellaneous	...	198,000	0	0

but this apparently favourable showing depended upon the large amount estimated for the assessments being actually received, and the total authorized by Parliament was likely to have realized very considerably less than that calculated¹.

Thus the first years of the Protectorate were beset with financial difficulties. The expected aid from the capture of Spanish prizes had proved, to a large degree, an illusive hope; and little assistance could be obtained from the dispersion of the few remaining realizable assets of the State. The condition of the Exchequer brought the government into relations with the East India company, through the borrowing by the former of £50,000 in 1655 and a further sum of £10,000 in October of the same year. For the past three years, the status of the trade had been precarious. Although the United Joint-Stock had made a reasonable profit—namely 105 per cent.², which, if taken to have been gained in the six years ending in 1656, compares with 107½ per cent. earned by the Dutch company³—the effect of voyages under license had not been satisfactory, either to the members or to the independent adventurers. The pressing needs of the government caused an intimation to be made to the company that the making of a loan “would be taken for a high favour⁴.” Such a hint, at a time when an enquiry was about to be made into the best means of conducting the trade, foreshadowed a report, favourable to the wishes of the company—once it had found the funds required of it. The report was duly presented on December 18th, 1656, and Cromwell signed a charter, which explicitly recognized most of the privileges claimed by the company, on October 19th, 1657⁵. Under this grant, a fresh subscription of capital was made, and the New General Stock was begun. The total applications represented stock to the extent of £739,782. 10s. 0d. on which calls of 50 per cent. were made⁶.

The financial assistance, afforded by the East India company, was relatively small in the face of the repeated annual deficits. At the end of 1655 the debt was at least £781,345. 2s. 10d.⁷, and it was little aid to the credit of the administration that a report was current that the

bullion alone to a single firm (State Papers, Domestic, Inter., CLIII. 20). It was unfortunate that the savings made in this way appear to have been more than consumed by excesses on the estimates for other spending departments, so that as shown below (p. 259) the debt kept on increasing, till it became unmanageable.

¹ *Journals of the House of Commons*, VII. p. 487; Burton, *Diary*, *ut supra*, I. p. 377.

² *Vide infra*, II. p. 128.

³ G. C. Klerk de Reus, *Niederländisch-Ostindischen Compagnie*, Appendix VI.; Anderson, *Annals of Commerce* (edited by David MacPherson), 1805, IV. p. 488.

⁴ Court Book XXIII. October 26, 1655.

⁵ *Vide infra*, II. pp. 122, 123, 128, 129.

⁶ *Ibid.*, II. p. 130.

⁷ Carte MS. LXXIV. f. 7.

amount owing was as much as two and a half millions¹. With the addition of the deficits for 1656 and 1657, the pressure on the finances was more and more apparent. The debentures, issued in lieu of pay, were selling at an immense discount; and, in 1657, the debt was described as "insuperable," so that the public faith, on which loans had been raised, began to be known as "the public despair"². Money was wanting to pay the pensions of wounded sailors and of widows; contractors and officers were threatened with arrest, on account of liabilities incurred on behalf of the State, and still further debts were contracted through there being no funds to pay off ships on arrival, with the result that the crews were kept on the pay-roll³. In 1658 the army was said to be going barefoot in the winter-time⁴; and their "clamours," as well as those of the navy, were "so great that they could scarcely be borne⁵." It was even alleged that great difficulty had been found in paying for the state-funeral of Cromwell⁶. The reality of these various aspects of financial embarrassment, so great that it verged on a bankruptcy of the government, may be judged from the fact that in 1659 the debt was calculated at between two and a half and two and a quarter millions⁷. Of this amount, over one half (£1,300,285) was owing by the navy⁸. In spite of this load of indebtedness, the estimate for 1659 could not be reduced much below two and a quarter millions, and it turned out that the actual cost of the navy exceeded the estimate by about 30 per cent.⁹

¹ Carlyle, *Cromwell*, iv. p. 214; *A True and Impartial Narrative of the most material Debates and Passages in the last Parliament*, by Slingsby Bethell, 1659, in Somers' *Tracts*, iv. p. 531.

² Burton, *Diary*, *ut supra*, ii. pp. 199, 238.

³ *Calendar State Papers, Domestic*, 1657-8, pp. xiv.-xvi.

⁴ Burton, *Diary*, *ut supra*, ii. p. 366.

⁵ Thurloe, *State Papers*, vii. p. 99.

⁶ *Ibid.*, vii. p. 415.

⁷ *Journals of the House of Commons*, vii. pp. 641, 675; Thurloe, *State Papers*, vii. p. 667.

⁸ *State Papers, Domestic*, relating to the Navy, ccxii. 24; *Calendar*, 1658-9, p. 568.

⁹ Estimate for 1659, dated April 7, 1659:

England							
Army	...	...	£764,481 15 10	Assessments	...	£420,000 0 0	
Navy	...	...	453,986 0 7	Customs	...	411,414 12 3 $\frac{1}{4}$	
Miscellaneous	...	...	329,320 8 6 $\frac{1}{2}$	Excise	...	584,170 8 2	
				Miscellaneous	...	101,689 16 7 $\frac{1}{4}$	
			£1,547,788 4 11 $\frac{1}{2}$			£1,517,274 17 1	
Scotland—charge	...	...	307,271 12 8 $\frac{1}{2}$	Scotland—receipts	...	143,652 11 11	
Ireland	„	...	346,480 18 3	Ireland	„	207,790 0 0	
			£2,201,540 15 11			£1,868,717 9 0	
Estimate for Navy				...	...	£453,986 0 7	
Actual cost of „				...	...	601,601 7 10	
Excess				...	...	£147,615 7 3	

—MS. Rawl. A. 195 a, f. 241; *Journals of the House of Commons*, vii. pp. 627-31. It

There could be few stronger arguments for a change of the whole form of government than the financial errors of the Long Parliament, the Protectorate and the re-called Long Parliament, which threatened to culminate in national bankruptcy, and which had already produced a crushing debt. The average expenditure of Charles I. had been trebled, according to the estimates, and probably much more than trebled by the actual disbursements. The Crown property and the confiscated lands had been sold, and there yet remained a debt more than double the largest recorded Crown liability before 1641. At the beginning of the constitutional struggle, great stress had been laid, not only on the method of raising supplies, but also on the cost of these to the tax-payer. But even if everything that Pym said in 1641, concerning the cost to the consumer through the monopolies, be accepted and the whole of the rise in prices be assigned to the operation of these grants, while his figures are taken for the loss occasioned by this rise—if moreover to this be added the other items of expenditure, raised by taxation—then the total, so obtained, would be less than the estimates from 1651 to 1659, and therefore considerably less than the average actual outlays in any one of these years¹.

The war with Spain proved highly prejudicial to the commerce of the country. Not only had the cost involved grave financial strain but the interruption of trade was greatly felt, especially at a time when there had not been a sufficient interval for recuperation after the destruction of wealth during the Civil War and the struggle with Holland. The cloth and shipping trades were specially affected. The former had not recovered from the peculiar injuries it had sustained during the period before 1647. It suffered from the prohibition of the export of wool, and the interruption of supplies from Spain added to the depression. The Spanish reprisals on shipping constituted another injury to trade. The captures, made by England, were much less than had been expected, and the proceeds went into the Exchequer; whereas the individual merchant or syndicate had to bear the loss of the seizures, made by Spain. By the end of 1657 these had reached a large total. Weymouth had suffered severely in this way, Bristol alone had lost 250 sail; and,

was on these figures that subsequent criticisms of the financial methods of the Long Parliament and Protectorate were based, as for instance when it was said that the "barbarous rebels took up arms against taxes of £200,000 a year and by their own arbitrary exactions loaded their fellow-subjects with two millions"—*A Speech made the 21st of June 1715 upon the Question about impeaching his Grace the Duke of Ormonde, 1715*, p. 7.

¹ *Awake O England: Or the People's Invitation to King Charles. Being a Recital of the Ruins over-running the People and their Trades*, 1660, in *Harleian Miscellany*, i. p. 269.

in a petition of the merchants and traders of England, the number of vessels taken was estimated at 1,800 "almost to our ruin and the overthrow of thousands of families¹." During 1658 complaints of the hindrance to, and deadness of, trade continued², which were intensified, early in 1659, by the depredations of privateers in the Irish Channel to such an extent that trade with Ireland had almost ceased³; while, at the same time, many busses of the fishing fleet on the East Coast had been seized⁴. Early in the same year it was reported that there never had been greater complaints in the City of want of trade: nine-tenths of the Spanish merchants had incurred losses, and house-rent had fallen by an average of ten per cent.⁵ Towards the close of the year the depression tended towards a crisis. The price of grain, which had been exceptionally low in 1653 and 1654, was relatively high from 1657 to 1659⁶. The depression of trade, through the war and other causes, made the pressure of taxation very severe. The indebtedness of the administration had become extreme, and, added to all these causes of panic, there was the great political uncertainty which occasioned fears lest there should be a renewed civil convulsion. As had happened just before the Civil War, there was a considerable export of bullion, which was transferred by the English goldsmiths to bankers abroad for safe-keeping on behalf of their clients⁷. In London, in December 1659, business was frequently suspended through riots⁸, and it was stated, in a petition signed by 23,500 persons, that through loss of trade "many thousand families have nothing now to do⁹." The petitions, presented on behalf of the contending political parties, all agree in showing the country as in the throes of an industrial crisis during the winter of 1659-60. Allusion is made, again and again, to the pressure of taxes, the general depression of trade and, particularly, that in cloth, the miseries of the poor and the impaired state of credit. Doubtless, there is some exaggeration, attributable to political motives, but there can be little doubt that the crisis was a serious one. The Yorkshire trade in cloth was described as "ruined" and "dead by reason of the warres with Spain." Trade in general was pictured as very

¹ State Papers, Domestic, Inter., clviii. 17, 109; *Calendar*, 1657-8, p. 204; *The World's Mistake in Oliver Cromwell*, 1668, in *Harleian Miscellany*, i. p. 284.

² Sir Rich. Browne to [Sec. Nicholas] May 17, 1658 (State Papers, Flanders Correspondence); *Calendar*, Domestic, 1658-9, p. 114.

³ State Papers, Domestic, Inter., ccii. 53, cciii. 82; *Calendars*, 1658-9, p. 322, 1659-60, p. 24.

⁴ *Ibid.*, cciv. 11; *Calendar*, 1659-60, pp. 128, 129.

⁵ Thurloe, *State Papers*, vii. p. 616.

⁶ Rogers, *Agriculture and Prices*, *ut supra*, v. p. 272.

⁷ *An Appeal to Caesar*, 1660, p. 22.

⁸ Whitelocke, *Memorials*, p. 689.

⁹ The Engagement and Remembrance of the City of London, printed by Dr Cunningham, *Growth of English Industry and Commerce in Modern Times*, p. 927.

defective “to the utter ruin of many and fear of the like to others.” In a petition from Kent, allusion is made “to the loud and heart-piercing cries of the poore and the disability of the better sort to relieve them through the total decay and subversion of trade.” The credit of the mercantile class was in a precarious condition, and the general dissatisfaction was so great that there were very great numbers of refusals to pay taxes¹. The position of the Long Parliament now became untenable, it was overwhelmed with debt, and the end of its credit had been reached. The pledges of large bodies of men not to pay taxes would have meant little, if the army could have been depended on to exact payment, as it had done in the past; but the army was divided, and therefore it would be impossible to raise fresh supplies. The declaration of Monk for “a free parliament” (February 1660) was accepted in London as an omen towards the termination of the existing unrest, and about the time of the Restoration there was an improvement in the commercial outlook, which, in time, was followed by a revival of trade.

¹ State Papers, Domestic, Inter., ccxix. 28, 29, 30, 31, 36, 37, 38, 39, 41, 42; the portions of these petitions relating to trade have been printed by Dr Cunningham in *Growth of English Industry and Commerce in Modern Times*, Appendix E (pp. 921-7).

CHAPTER XIV.

INDUSTRIAL RECUPERATION AFTER THE CIVIL WAR (1660-71).

WITH the Restoration there came a revival of confidence, and trade began to improve. The depression, occasioned in part by the want of a sufficient period of peace for recuperation after the losses of the Civil War, had culminated in the crisis of the winter 1659-60. This crisis was caused by the disturbance of trade through the wars with Holland and Spain, by the high rate of taxation and also by anticipations of serious political disturbances at home. It was believed that, by the Restoration, tranquillity would be secured in Great Britain and peace would be made with foreign powers; while Parliament considered that, after certain liabilities of Charles I. and the Protectorate, which were held to be debts of the nation, had been discharged¹, the ordinary Crown expenditure would not exceed £1,200,000², or about half that of the government since 1650.

It was almost inevitable that many of the expectations, formed towards the end of 1660, should be disappointed. The period of civil war had produced, not only direct results, but also indirect effects which were difficult to estimate. Given peace and a stable government, it would not require many years to repair the direct losses of the struggle. The indirect consequences were not so apparent, and these had resulted in a great change in the relative position of the commerce of England, as compared with that of certain foreign countries. The Dutch and, to a less extent, the French had extended their trade during the war in England; and therefore, when the latter country was able to give its undivided attention to trade, it found competition keener, and its capital resources were insufficient to finance all the enterprizes which were open to it. Moreover, the famine of the year 1661, when wheat reached the

¹ The items and the provision to meet them are printed in the Introduction to Dr W. A. Shaw's *Calendar of Treasury Books*, 1660-7, pp. i.-xx.

² *Journals of the House of Commons*, viii. p. 150; *The Charges issuing forth of the Crown Revenue of England and Wales*, by Captain Lazarus Haward, London, 1660.

highest average price of the century, tended to check production for a time¹.

Regarded from the point of view of industry, the period, beginning in 1660, represents the continuation of the era of reconstruction, which had begun in 1651, but which had been hitherto subject to frequent interruptions. With peace, both at home and abroad, it at length became possible for the individual to devote himself to his business with some prospect of security, and for responsible persons to endeavour to take stock in a systematic manner of the position of the country. The latter tendency is shown by the labours of the Committee of Trade, and by the appearance of a number of treatises which at least profess to deal with trade in general and its tendencies from different aspects.

In many respects the most valuable contribution to this discussion is the calculation, made by Sir William Petty, of the national wealth and the national income within a few years after the Restoration. While exception may be taken to some of his results, the basis of calculation is more reliable than that adopted later by other writers, in so far as each total is arrived at independently, instead of the whole series being based on a series of ratios, all dependent on a single datum². Thus an error in the total, under one heading, is confined to that part of the calculation, instead of influencing all the rest of the estimate.

Petty's Estimate of the Wealth of England and Wales circ. 1665.

Agricultural Land (exclusive of houses) 8 mil. £. rent @ 18 years'									
purchase	...	...	...	...	...	...	...	...	144 mil. £.
Farming Stock, Game, Fisheries @ $\frac{1}{4}$ the capital value of the land...									36 ,,
Houses based on the returns of Hearth Money @ about 12 $\frac{1}{2}$ years'									
purchase	...	...	...	...	...	...	...	...	30 ,,
Merchandise, Furniture, Plate	...	...	...	...	...	...	...	...	31 ,,
Ships, 500,000 tons @ £6 per ton	...	...	...	...	...	...	...	...	3 ,,
Coin	...	...	...	...	...	...	...	...	6 ,,
Total wealth	...	...	...	...	...	...	...	...	250 ,,

The National Income.

Rent of Land	...	...	...	...	...	...	...	...	8 ,,
Profit of Personal Property	...	...	...	...	...	...	...	...	7 ,,
Labour of the People	...	...	...	...	...	...	...	...	25 ,,
Total income ³	...	...	...	...	...	...	...	...	40 ,,

¹ *A History of Agriculture and Prices*, by J. E. T. Rogers, v. p. 214.

² This was the method adopted by Andrew Hooke in *An Essay on the National Debt and National Capital*, London, 1750. Hooke gives an estimate of the national wealth and income from 1600; but, for the reason stated in the text, I have been unable to use it. The results of his method will be sufficiently indicated by mentioning that in the 20 years, 1640 to 1659, he supposes the total wealth increased by 83 $\frac{1}{2}$ millions, *Essay*, p. 58.

³ *Verbum Sapienti*, Appendix to *The Political Survey of Ireland*, London, 1719, pp. 3-9.

In the estimate of the income, it does not appear that allowance has been made for the rent of house-property, since the item of "profit on personality" relates to profit made on trading capital generally. Rents of houses, at this time, were estimated at about 1½ millions, so that the annual income would be 41½ millions; and, according to Petty's estimate, the outlay was 40 millions a year, leaving a balance to be added to the national capital of 1½ millions. This on the whole confirms another estimate, namely that in 1664 "the annual increment" in stock was about 1¼ millions¹.

Allowing a considerable margin for under-statement or for over-statement, this calculation is important in several respects. It shows the relatively large ratio of fixed capital to that wealth, which was free to be used as capital in any direction, where it was required. It follows, then, that the industrial revival, under the most favourable conditions, would be comparatively slow, since it would be ultimately conditioned by the rate of the accumulation of capital. Moreover, should the owners of land become extravagant, most of the new capital must come from the savings, made out of the income of that already employed in trade; and, if Petty is correct, the whole trading profits were only 7 millions. In view of these inferences the question of future taxation might become a serious one. While a revenue of £1,200,000 a year, most of which was raised by Customs and excise², did not constitute a heavy strain, if well distributed over an income of above 40 millions, an additional assessment which fell heavily on rent or profits, even if of comparatively small amount, would have the effect of checking the inflow of new capital to trade, where it was greatly needed.

A number of indications point to the conclusion that foreign commerce had not recovered from the disturbance of the recent wars. At the beginning of the reign of Charles II. the income, received by the Crown from Customs³, was less than it had been twenty years before.

¹ *Natural and Political Observations on the State of Great Britain*, by Gregory King, Edinburgh, 1810, p. 47; *A Letter from a By-stander to a Member of Parliament*, London, 1741, p. 97.

² Estimate for 1663:

Customs ...	...	...	...	...	...	£600,000
Excise ...	...	...	...	...	...	550,000
Hearth-money ...	...	...	...	...	...	151,000
Small Branches	...	...	...	...	...	57,000
						£1,358,000

—State Papers, Domestic, Charles II., LXXXVIII. 129. The settled revenue, apart from special parliamentary grants, for Easter 1663 to Easter 1664, as returned by the Exchequer, was under £850,000, *Calendar Treasury Books*, 1660–6, p. xxix.

³ That is the sum *actually* received at the Exchequer which was only about half that *estimated* in 1660 and again in 1663—*vide supra*, note².

Further, a detailed account of the total exports and imports of London for the year Michaelmas 1662 to Michaelmas 1663 has survived¹, which is as follows:

Foreign Trade of the City of London 1662-3.

Exports	...	...	...	...	£2,022,812	4
Imports	...	...	...	...	4,016,019	18
Total	...	...	...	...	£6,038,832	2

Davenant notes that the imports are overvalued, and that no account is taken of foreign goods re-exported²; but this error applies rather to the adverse balance than to the total trade. Further, at this time, judging by the Customs-returns, the foreign trade of the rest of England and Wales (other than London) was about 28 per cent. of the total. Thus the total for the whole country might be estimated at about $7\frac{3}{4}$ millions—an amount slightly in excess of Petty's valuation of the annual profit on trading capital and giving £1. 5s. per head of the supposed population³.

The deliberations of the Committee of Trade were concerned with two main classes of problems—those relating to commerce generally and others to special industries. Amongst the former, may be mentioned the relation of the State to the control of bullion and to the fostering of shipping and fishing. In December 1660 the Committee “enquired what loadstone attracted these metals by force of nature to itself, against all human providence or prevision, and soon found that it was alone the present course of trade and traffique throughout the world.” England “hath of its own growth, manufacture and produce always enough to oblige the importation of money and bullion upon all occasions, beyond any other nation whatsoever in Christendom.” Accordingly, it was recommended that there should be no restriction on the export of bullion, “because foreign merchants prefer to lodge it where there is no restraint on withdrawals,” and the financial importance of Amsterdam and Leghorn was attributed, in part, to their adoption of this policy⁴. These

¹ An Accompt of all goods and Merchandises, exported from the City of London, and the value thereof, and of the severall goods and merchandises and the value thereof, imported into the said city, in the years 1663 and 1669—Add. MS. (Brit. Mus.) 36,785; Anderson, *Annals of Commerce*, II. p. 633.

² Add. MS. (Brit. Mus.) 36,785, f. 1^a.

³ Comparing this result with the figures of Misselden for the year 1613 (*The Circle of Commerce*, p. 121), the total foreign trade shows an increase at the end of the fifty years of about 83 per cent. As indicated in the text, there was a considerable, but not a uniform improvement up to the later years of the reign of Charles I. after which there was a large decline, followed by the beginnings of a period of expansion.

⁴ Minutes of Committee of Trade 1660-2, Add. MS. (Brit. Mus.) 25,115, ff. 44, 47, 54; *A Collection of Scarce and Valuable Tracts on Money*, ed. J. R. McCulloch,

conclusions represent a great advance on the attitude of Thomas Violet ten years before, who considered he had claims on a pension through having secured the conviction and fining of exporters of bullion¹, and they are the more enlightened since the revival in trade had raised the rate of interest. A similar breadth of view is shown by the answer of the Committee to the petition of certain London shopkeepers, who sought to increase the restraints on aliens. Not only was it pointed out that foreigners, already in England, had introduced many useful trades, but it was suggested, subsequently, that the cloth trade would be improved, if foreign artificers were induced to settle in England².

On the question of the development of the fishing industry, the Committee continued the traditional policy. As early as July 1660, Charles II. had written to this Committee, recommending the trade as a method of employing the poor³, and in 1661 the first steps were taken towards the formation of a company which was later incorporated as *the Company of the Royal Fishery*⁴.

Much of the time of the Committee was given to the consideration of the position of the existing chartered bodies. The regulated companies had fallen upon evil days. The Merchant Adventurers had been forced to borrow money, in order to meet the demands made upon them by both the Crown and Parliament. By the time of the Protectorate, the company was unable to raise further sums; and, in 1657, the then Committee of Trade passed a resolution in favour of the "free" merchants by a large majority⁵. The new Committee after the Restoration was of opinion that the company was deserving of support, if, and so far as, it was a national company⁶. Early in 1662, the peculiar constitution of the organization involved it in difficulties. Having no joint-stock, the

London, 1856, p. 145. Slingsby informed Pepys in 1665 that "the old law of prohibiting bullion to be exported is, and ever was a folly and an injury, rather than good"—*Diary* (Chandos edition), p. 231.

¹ *A True Discoverie to the Commons of England how they have been cheated of almost all the gold and silver coin of this nation*, London, 1651 (Brit. Mus. $\frac{188. b. 22}{1^a}$), p. 46.

² State Papers, Domestic, Charles II., xxi. 108-10, xli. 4; *Calendars*, 1660-1, p. 363, 1661-2, p. 80; *The Grand Concern of England explained*, 1673, in *Harleian Miscellany* (1746), viii. pp. 533, 553.

³ *Mercurius Redivivus*, Add. MS. (Brit. Mus.) 10,117, f. 170.

⁴ *Vide infra*, II. p. 372.

⁵ Burton, *Diary*, *ut supra*, I. pp. 308, 309. Burton, for family reasons, was hostile to the company. There are some amusing sentences in his report of the debate. "Sir Christopher Pack, who is master of the Merchant Adventurers' company, turned in the debate like a horse and answered every man. I believe he spoke at least thirty times....He did cleave like a clegg and was very angry he could not be heard *ad infinitum*."

⁶ Add. MS. (Brit. Mus.) 25,115, f. 77.

only convenient method of meeting the interest on its loans was either by assessing the members or by levying so much on the cloth. The latter method was adopted, and an imposition of about 1 per cent. of the value had been exacted for many years past. This impost was held to be a grievance by cloth-merchants of Exeter. It appears that, though at one time there had been a branch of the company at this place, during the depression of the woollen industry from 1646, all the free-men, but one, had retired. In 1661 some cloth-makers in that district had again begun to export, but they were either unable or unwilling to join the chartered organization. They complained of the levy on cloth, exported to Holland; and the company replied that, by its exertions, English exporters received a remission of Customs and other charges, which was valued at about 3 per cent. It follows that, according to the contention of the Adventurers, the existence of their company produced a balance of advantage, after payment had been made of the levy, which was rendered necessary, in order to secure the support of the home government at various periods in the past. Other allegations, made by the Exeter clothiers, accused the company of confining the trade to London, of limiting exports and of giving preferential treatment to prominent members¹. To the two last charges the Adventurers replied by a simple denial, but they had a better answer to the statement that trade was confined to London, by showing that free-men might ship cloth from the nearest port, and that there were branches of the company at York, Hull, Beverley, Leeds, Newcastle, Hartlepool, Stockton, Norwich, Yarmouth, Lynn, Ipswich and Colchester. The main weaknesses of the position of the organization were partly financial, partly due to industrial progress. Within a few years the dyeing and dressing of cloth was established in England, with the result of a reduction in the export of undressed cloth². Moreover, once the company had been compelled to borrow largely, the regulated type of organization was ill-adapted to preserve its credit. By 1664 the debt was £75,000, and, in that year, it was unable to pay the interest when due³.

The state of the Levant company at this time is instructive. It would naturally be supposed that one of the advantages of the regulated type of organization over the joint-stock company would be that, in the former, the merchants, being skilled in a certain trade, would be able to control the proceedings of the factors and agents abroad. But, as a

¹ State Papers, Domestic, Charles II., LI. 64; Anderson, *Annals of Commerce*, II. pp. 617-20.

² Anderson, *Annals of Commerce*, II. p. 651.

³ State Papers, Domestic, Charles II., CLXXVI. 73; *Calendar*, 1666-7, p. 403. In 1674 the company was still in default, *Reports Hist. MSS. Com.*, IX., Pt. II., p. 47.

matter of fact, the failure of this company to exercise an efficient supervision was even more remarkable than that of the Russia company had been¹. In 1661 the frauds of the factors in the Levant had almost ruined the company. The governor admitted that he was ashamed of the excessive rates imposed on goods exported, which were to be attributed to this cause. Not only so, but it was conceded that some members defrauded the rest, by paying less than their due proportion of the charges, through entering false bills of lading which were accepted with the connivance of the factors. Like the Merchant Adventurers this body was heavily in debt, though its obligations had been incurred mainly in places abroad². It is significant that an effort was made to remedy these abuses by separating off the trade to Morea, which was conducted by a group of free-men, who traded as a joint-stock company, which was known as *the Morea Adventurers*. In January 1661 an effort was made to close the accounts, the capital having been subscribed only for a definite period, but at the end of 1663 this undertaking was still in existence³.

The joint-stock companies had also suffered seriously from the effect of adverse circumstances before the Restoration. The Russia company was barely able to carry on its trade; and, since 1658, its off-shoot, the Greenland Adventurers, had ceased to have an active existence⁴. The African trade had resulted in loss for several years, owing to captures of ships by the Dutch. It was stated that the independent traders, during the few years prior to 1660, had suffered to the extent of £300,000⁵; and, about 1659, the value of one ship, which was taken, was returned at £12,842⁶. Accordingly, the position in 1660 was that the forts and trading stations, already established, had been abandoned; and there was no regular trade or, according to some accounts, no trade at all. In 1662 it was decided to re-establish the company with a monopoly of the whole of the west coast of Africa, and an influential body of shareholders was incorporated as *the Governor and Company of the Royal Adventurers of England trading into Africa*⁷.

¹ *Vide infra*, II. pp. 42, 46, 47, 51, 54.

² State Papers, Levant, I. p. 118, IV. pp. 320, 349, 352, 357; *Calendars, Domestic*, 1660-1, pp. 491, 591, 592, 1661-2, p. 605.

³ *Ibid.*, IV. pp. 346, 396, V. p. 68; *Calendars, Domestic*, 1660-1, p. 484, 1661-2, p. 421, 1663-4, p. 388.

⁴ *Vide infra*, II. pp. 67, 74.

⁵ *Certain Considerations relating to the Royal African Company of England...in which the Original, Growth and Natural Advantages of the Guiney Trade are demonstrated as also that the Trade cannot be carried on but by a company and Joint-Stock*, 1680, p. 8.

⁶ State Papers, Board of Trade Commercial Series II., vol. 691—Petition of Bernard Sparke.

⁷ *Vide infra*, II. p. 17.

The East India company was, by far, in the best financial condition, as compared with the other joint-stock bodies. After obtaining its charter from Cromwell in 1657, it proceeded, as soon as possible, to re-open its factories and to obtain new concessions in the East. It was unfortunate, in so far as the time for paying calls on the £739,782. 10s. stock subscribed extended to March 1st, 1660. Owing to the acute depression of 1659, followed by the crisis of 1659-60, it was found impossible to enforce the payment of the later calls; and eventually the paid-up capital was fixed at one-half of the nominal amount. Possibly, in the enthusiasm of the first months after the Restoration, the fact that a charter had been obtained from Cromwell would not have been to the interest of the company. Measures were taken to suppress this document, and a fresh grant was signed on April 3rd, 1661. Up to this date no dividends had been paid, such profits as were made were used in increasing the capital; and, partly for this reason partly through forced sales of stock by prominent supporters of the late government, the price of £200 stock nominal, or £100 actually paid, was only 90¹.

There are several points of interest in the charters granted immediately after the Restoration. In those of the African Adventurers and the Royal Fishery company, the assistants reached the comparatively large number of 36. In the East India charter of 1661, the voting rights of the members were settled, and £500 stock entitled the proprietor to one vote. Persons, holding less than this amount, might join together and authorize one of their number to vote for their aggregate stock. While the capital of the East India company consisted of stock, the sum of £122,000, subscribed by the Adventurers to Africa, was divided into shares of £400 each, divisible into half-shares. The qualification of an assistant was the holding of one whole share².

The most remarkable feature, connected with the companies of the Restoration, was the act of 1662, which created a species of limited liability in favour of shareholders in the East India, African and Fishery companies. It was enacted that subscribers to these undertakings should not *pro tanto* be subject to the law of bankruptcy, in the event of losses being incurred by any one of the companies named³. The effect of this statute was that a shareholder was only liable for the amount unpaid on his shares, and it is clear that such legislation was disadvantageous to unincorporated companies or syndicates⁴.

¹ *Vide infra*, II. pp. 130, 131, 177.

² *Ibid.*, II. pp. 17, 131, 372, 373.

³ 14 Car. II. c. 24.

⁴ Such companies continued to exist, e.g. *Sir Francis Topp and Company*, French merchants, 1669 (State Papers, Domestic, Charles II., cclix. 3), *Richard Thompson and Company*, bankers, 1670-5 (*Case of Richard Thompson and Company*, 1678), *Elias Adrian and Company*, *Jeremiah Bonneel and Company*, *John Bryant and Company*,

The tendency of opinion upon the problem of privileges for foreign trade, in the years immediately following the Restoration, began to be concentrated upon certain definite issues. On the one side, there was the argument, based on the price of the commodities affected. It was contended that an open trade would result in English goods commanding higher prices abroad, while the foreign goods imported would be sold more cheaply than by the privileged bodies. This point of view is expressed in a concise form by Samuel Fortrey—"Mercantile companies sell at what unreasonable rates they please...whereby the people in general are very much damnified and the companies onely enriched: whereas, if the trade were free, our own commodities, having more chapmen, would sell at better rates, and what is brought home in return would be distributed at much cheaper prices amongst the people¹." In the specific case of the African trade, it was alleged that, from 1662 to 1664, the company had increased the price of negroes in the plantations by 30 per cent., that the workers in ivory could obtain supplies more cheaply from Holland and some of them found it advantageous to carry on the industry there². This statement was made by Roger Coke, and it was contradicted by the company which was able to produce evidence from the planters that its cash-prices for negroes compared favourably with those charged by the interlopers. On the other hand, it is probable that, owing to the effect of the more stringent Navigation Act of 1663³, the price of slaves, smuggled into the plantations by the Dutch, would be lower than the average rates of either the company or of independent traders. There is ample evidence that this measure alone was sufficient to account for an addition to the price of a commodity of about 25 per cent. Prior to the Act, for reasons already explained⁴, the Dutch, Hamburgers and Flemings were able to charge so much lower rates for freight that much of the reduced English shipping was unable to obtain

Edward Brown and Company, Edward Clark and Company, Richard Dunidge and Company, Charles Kerle Junior and Company, Nicholas Holloway and Company, Mr Collet in Company, Tho. Houghton and Bereclif in Company, Thomas Merry and Company, James Pickering and Company, Linc. Robinson and Company, John Scopen and Company, George Willington and Company, John Addis and Company, John Mawson and Company, Samuel Burlingham and Company (A Collection of the Names of Merchants living in and about the City of London, 1677 [reprinted 1878]).

¹ *England's Interest and Improvement*, Cambridge, 1663, p. 40; Reprint (ed. J. H. Hollander, Baltimore, 1907), p. 35.

² *Reflections on the East Indy and Royal African Companies*, 1695, p. 11 (Brit. Mus. $\frac{1029.e.10}{6}$).

³ This Act was very prejudicial to Scottish Trade—*The Grievances of Scotland in Relation to their Trade with England 1668* in *Miscellanea Aulica: or A Collection of State Treatises never before Published*, edited by T. Brown, 1702, pp. 199, 200.

⁴ *Vide supra*, p. 250.

employment¹. After the Act it was inevitable that rates should be much higher. Partly owing to its effects, partly through other causes, the cost of working an English ship was relatively great. The vessel itself cost more per ton than one built in Holland. Through the Navigation Act timber was dearer²; and, for a few years after 1660, the Swedish monopoly of pitch had advanced prices by upwards of 75 per cent.³ Then the Dutch had a certain advantage in their methods of managing their mercantile marine. They were able to work trading ships with smaller crews; so that, in proportion to the tonnage, the capital outlay was less and also the wages-bill⁴. It follows that the argument from the price of commodities is affected by the influence of the Navigation Act; and that, out of the rise in prices of commodities imported by privileged companies, it is impossible to assign the proportion attributable to the monopoly as such. On the whole, the argument from cheapness, considered quite abstractedly, is to some extent adverse to the companies; but perhaps not so much so, as might have been expected, when the effects of the Navigation Act are allowed for.

On the other side, these considerations were met by others of a different character. As against the *a priori* deductions as to the benefits of open competition, there had to be set the experience of the Protectorate, when the experiment had been tried, and it had been found that there had been violent fluctuations in prices and that there was a tendency for the trades affected to decline. The best example of this is that of the African trade⁵; and the granting of the charter of 1658 to the East India company, after three years of open trade, would be conclusive evidence in the same direction were it not that Cromwell may have been influenced by certain causes, other than the merits of the case⁶. In fact the crux of the whole question lay in the relations of the different nations in remote places, such as the whaling districts or India or Africa. If, by international agreement, the merchants of each country might have traded freely, without being subject to their ships and goods being seized by their rivals, or if, again, England had been strong enough to protect its subjects in distant places, it might have been possible to dispense with the privileges of the companies. As things were, the element of force had to be reckoned with. Where the Dutch had established fortified

¹ Fortrey, *England's Interest*, *ut supra*, p. 36.

² *A Discourse of Trade* by Roger Coke, London, 1670, pp. 23-5.

³ Minutes Committee of Trade, Add. MS. 25,115, f. 103.

⁴ Coke, *Discourse of Trade*, p. 59. Coke says that the cost per ton of a Dutch ship was half that of an English one, and that the crew of the latter was twice that of the former.

⁵ *Vide infra*, II. pp. 16, 17.

⁶ *Vide supra*, p. 258.

harbours¹, English vessels ran an excessive risk. Some might succeed in making the voyage in safety and in realizing large profits, but eventually the captures wore out the enterprize of the adventurers and expeditions became fewer and fewer. For these reasons, it became necessary that English traders should possess fortified stations, where ships might find refuge and load in safety. Fortifications required a considerable initial capital outlay, and there was a further annual charge for garrisons and up-keep². To provide this, some kind of organization was required, with certain powers of enforcing contributions and of regulating the trade. Therefore, the drift of opinion fluctuated between the preference for a joint-stock company with a monopoly or a regulated company which, as far as its privileges were concerned, would be equally exclusive. The argument, advanced in favour of the latter form of management, was the natural one that the competition of the members would be beneficial to the English producers and consumers; and, while this should have been so in theory, there had been frequent complaints of avowed combinations between the free-men of the regulated companies³. In favour of the joint-stock form of management, it was urged that it would be exceedingly difficult to collect a sufficient levy from all the traders, who made occasional voyages, while to raise the whole sum required from those who sent ships frequently would be unjust. If the proposed regulated company were to be in reality open to all, it would be impossible to exact payment in England, while to enforce it on the African coast would prove a temptation to the factors there. An even more weighty argument arose from the consideration of what would happen, when England was at war with a naval power. The risks of shipping, at such a time, would be greatly increased, and the crews of merchantmen were liable to be pressed to help in manning the fleet. Therefore, under these circumstances very few ships would make the voyage; and, as a consequence, the revenue for the maintenance of the forts would be greatly reduced and that, too, at a time when exceptional outlays were necessary, if the defence of the factories was to be effective⁴. Though the whole question was narrowed down to this point soon after 1660, opinion remained divided, with a leaning towards the joint-stock type; and, when the controversy became acute at a later date, it centred round the differences in the two methods of organization.

The re-establishment of a Fishery and an African company, as well as the activity of the Committee of Trade, are indications of the

¹ *Histoire de l'Expansion coloniale des Peuples Européens—Néerlande et Danemark (xvii^e et xviii^e siècles)*, par C. de Lannoy et H. V. Linden, Bruxelles, 1911, p. 127.

² *A New Discourse of Trade*, by Sir Josiah Child (4th ed.), p. 111.

³ *Vide supra*, pp. 219, 220.

⁴ *Certain Considerations relating to the Royal African Company*, *ut supra*, p. 7.

commercial revival which began in 1660. There was a great increase in invention, and there were many proposals for industrial improvements of various kinds. Prominent amongst these were two propositions for the foundation of a bank in 1661¹ and for a marine insurance company, which the promoters expected would be the leading office for the whole of Europe². Meanwhile, business amongst the private bankers had increased enormously. Most of those, who had entered on this trade, had managed to maintain their credit; and their services, in the safe-keeping of money, had met with increasing demand; while the scarcity of capital had brought them a lucrative business, through the making of loans and the discounting of bills. Moreover, the financial difficulties of the Protectorate had compelled that government to be a large borrower; and, after the Restoration, the need for such assistance became even more marked. Parliament had provided Charles II. with funds for paying off certain specified debts and for carrying on the administration in the sense that, when the various imposts and taxes were collected, these liabilities would be liquidated, provided the estimated revenue was actually received. But first of all, since the Exchequer was practically empty at the Restoration³, many payments had to be made from day to day; and, to meet these, it was necessary to borrow in anticipation of the actual receipt of the Customs and other taxes. Moreover, the ordinary revenue, settled on Charles II., failed to reach the estimate of £1,200,000. Parliament had not taken sufficient account of the effects of the alterations made in the rates of the Customs and excise, and these sources of revenue fell far short of the estimate. To make good the deficiency, the tax of Hearth-money was added and, subsequently, other special grants; but, for the period ending at Easter 1664, all the receipts of the Exchequer (after the deduction of loans) only averaged about £860,000 a year, or less than three-fourths of the estimate. Expressed in another form, the actual revenue fell short of the specified £1,200,000 for this period by an average of about £340,000 a year⁴. It was inevitable, therefore, that the Crown should soon be heavily in debt, and in a short time most of the revenue passed into the

¹ *Vide infra*, III. p. 201.

² *Ibid.*, III. p. 365.

³ *Calendar of Treasury Books*, 1660-7, edited by W. A. Shaw, pp. i.-xxiv.; *The Beginnings of the National Debt*, by W. A. Shaw, in *Owen's College Hist. Essays* (1902), p. 402; Pepys, *Diary* (Chandos edition), p. 23.

⁴ The actual receipts are printed in *Calendar Treasury Books*, 1660-7, pp. xxviii.-xxxi.; cf. *A Full Answer to a By-stander*, by R. H. [Thomas Carte], London, 1742, p. 142. In *A Letter from a By-stander to a Member of Parliament*, pp. 68-86, it is calculated that, after paying for the navy and army, there remained a surplus from Christmas 1660 to Christmas 1663 on an average of over £1,650,000 a year. This estimate takes the produce of various taxes at the estimated, not the actual amounts.

hands of the bankers as against their advances. In view of the demand for capital, through the activity of trade and the increasing amount of the Crown debt, the goldsmiths were able to obtain high rates of interest¹; and it was not long before their charges amounted to about 10 per cent., so that it was said that the King and kingdom had become "the slaves of the bankers²." The severity of the strain on the finances is shown by the fact that Charles II. was forced to pay as high a rate of interest as Elizabeth had a century before, and that, too, at a time when there was no cause tending to produce an exceptional disturbance of credit.

Another sign of the improvement in trade is to be found in the effort to develop Scotland and the Plantations. As instances of the former may be mentioned the Scottish Act of 1661, which promised substantial privileges to those who introduced capital or new industries³; and of the latter, the formation of a company in 1663 for the re-settlement of Carolina⁴. In Ireland, also, steps were taken to develop the commerce of the country. A Committee of Trade was constituted in 1664, which reviewed the whole situation; and, partly through its efforts, several manufactures were established, one of which was a cloth company at Clonmel described as "the most considerable one that Ireland had as yet seen⁵." Coincident with the broadening of industrial activities, there were certain improvements in the conveniences of life, such as a development of the Post Office⁶ and of the water-supply of London. In October 1660 Pepys "was very much pleased" with the ease with which pumping engines carried up water from the Thames⁷, and in 1663 he was informed by the Lord Mayor that "the City was as well watered as any in the world and that the bringing of water to the City hath cost it first and last above £300,000⁸." This estimate would include the outlays on the conduits⁹, that on the New River (on which large sums had been expended out of revenue, in addition to the original capital¹⁰) and on the pumping engines on the banks of the Thames and at London Bridge¹¹.

¹ *A New Discourse of Trade*, by Sir Josiah Child (4th ed.), p. 51.

² *The Mystery of the New-fashioned Goldsmiths or Bankers*, London, 1676, p. 3.

³ *Vide infra*, III. pp. 126, 127. *The Records of a Scottish Cloth Manufactory at New Mills, Haddingtonshire (1681-1703)*, edited by W. R. Scott (Scottish Hist. Soc. 1905), p. xxxiv.

⁴ Anderson, *Annals of Commerce*, II. p. 628.

⁵ *The Interest of Ireland in its Trade and Wealth stated*, by Richard Lawrence, Dublin, 1682, Part I., Preface, Part II., p. 189.

⁶ *History of the Post Office*, by A. Joyce, p. 28; *vide infra*, III. p. 43.

⁷ *Diary*, *ut supra*, p. 55.

⁸ *Ibid.*, p. 176.

⁹ *Vide infra*, III. pp. 4, 12.

¹⁰ *Ibid.*, III. pp. 21-5.

¹¹ *Ibid.*, III. pp. 11, 12.

The period of active trade lasted only till towards the end of 1664, when it became apparent that England and Holland were drifting towards war. There were thus four prosperous years during which time the East India company paid dividends of 60 per cent.¹, and the African adventurers stated that they had added to their original capital no less than 210 per cent.² It lay with the latter body to provide an ostensible cause for the outbreak of hostilities, by ejecting the Dutch African company from most of its forts. Reprisals followed, greatly to the detriment of the English capitalists, and the struggle between the two companies proved only the prelude to that between the rival nations³.

From the concluding months of the year 1664 until the summer of 1667, England, and more especially London, experienced a succession of misfortunes. Beginning with the Dutch war, there followed the Plague in 1665, the Great Fire in 1666 and finally the forcing of the defences of the Thames by the Dutch fleet in June 1667. The joint-effect of these calamities upon commerce was necessarily serious. Even prior to the outbreak of the war, some of the more timorous merchants, engaged in foreign trade, had begun to reduce their commitments abroad⁴. At the end of 1664, shipowners were afraid to expose their vessels to war-risks, and there was a marked contraction of over-sea commerce. Moreover, the pressing of merchant sailors for the navy left insufficient crews available for the export of the cloth produced; and, to mitigate the resulting distress, it was proposed to suspend the Navigation Act, so that the goods might be carried by neutrals⁵. Then the ravages of the plague produced a total dislocation of business. After fifteen years of almost complete immunity from this scourge, there came the dreadful visitation of 1665, when the deaths from pestilence in London were returned at 68,596, being almost double those in 1603 and 1625⁶. The panic was so great that most people were much too anxious about escaping the deadly contagion to pursue their ordinary avocations. Many fled from the infected area, making no provision for the payment of their debts; and there was an unavoidable delay in winding up the affairs of those who had perished by the epidemic⁷. Trade was described as being

¹ *Vide infra*, II. pp. 132, 177, 178.

² State Papers, Domestic, Charles II., cx. 10; *Calendar*, 1664-5, pp. 159, 160.

³ *Vide infra*, II. pp. 17, 18.

⁴ Pepys, *Diary*, *ut supra*, p. 105.

⁵ *Ibid.*, p. 230.

⁶ *Natural and Political Observations...upon the Bills of Mortality*, by Capt. John Graunt, 1665, pp. 65, 175, 176; London's "Lord Have Mercy upon us." *A True Relation of Seven Modern Plagues or Visitations in London viz.* 1592, 1603, 1625, 1630, 1636, 1637-8, 1665; in Somers' *Tracts* (1750), VII. pp. 56, 57; *An Historical Account of the Several Plagues...since 1346*, by Dale Ingram, 1755, pp. 4, 5.

⁷ State Papers, Domestic, Charles II., cxxxix. 68; printed in *Calendar*, 1665-6, pp. x., xi.

"very low¹," and Change was almost deserted². There was very great distress, through want of employment and the high price of fuel. Since so much of the trade of the whole country passed through London, the cordon, drawn round it for sanitary reasons, caused the great depression in the City to react on the provinces; and, by June (1665), the woollen trade was in a declining condition³. Even as far north as Edinburgh, the effects of the adverse circumstances were felt to such an extent that there was great discontent owing to the decline of trade⁴. In August of 1666 confidence had been so shaken that there was no discounting of bills, and wholesale business was reduced to the transactions connected with the realization of prizes⁵. The previous losses of property were however inconsiderable, when compared with the devastation wrought by the Great Fire, which began on September 2nd, 1666⁶. The damage was estimated as follows:

St Paul's Cathedral ...	...	...	...	£2,143,200
Other buildings ...	...	...	...	6,972,800
Contents of buildings ...	...	...	...	1,600,000
Total loss ⁷ ...	...	...	...	£10,716,000

The rental of the properties destroyed was calculated at £600,000 a year⁸. Not only had capital to be found for rebuilding, but large sums were being raised for the carrying on of the war. Up to Michaelmas 1666 the charge of the navy, since the outbreak of hostilities, had been £3,200,000, and there was a debt of £900,000⁹. The condition of the service was exceedingly bad. Even before the war, the seamen were compelled to sell navy-bills at a discount of 15 per cent.¹⁰, and Pepys was much troubled and perplexed at heart "because of the horrible crowd and lamentable moan of the poor seamen that lie starving in the streets for lack of money...and more at noon when we go through them, for then above a whole hundred of them followed us; some cursing, some swearing, some praying to us¹¹." Up to Michaelmas the loss by the Fire

¹ State Papers, Domestic, Charles II., CLIX. 41; *Calendar*, 1665-6, p. 447.

² Pepys, *Diary*, *ut supra*, p. 254.

³ State Papers, Domestic, Charles II., CLIX. 119; *Calendar*, 1665-6, p. 459.

⁴ *Ibid.*, CL. 80; *Calendar*, 1665-6, p. 292.

⁵ *Ibid.*, CLXVI. 19 (1), CLXVII. 166; *Calendar*, 1666-7, pp. 4, 46.

⁶ In one of the informations, which attributed the Fire to a Popish Plot, it was asserted that John Graunt turned off the water-supply of the New River company on the night prior to the Fire—Maitland, *History of London*, i. p. 435.

⁷ *The Insurance Cyclopaedia*, by Cornelius Walford, iv. p. 31.

⁸ Pepys, *Diary*, *ut supra*, p. 323. Even allowing for additions to buildings between the date of Petty's estimate and the Fire, the above figures tend to show that he somewhat undervalued the house property of London.

⁹ *Ibid.*, p. 325.

¹⁰ *Ibid.*, p. 149.

¹¹ *Ibid.*, p. 263.

and the additional taxes, authorized for war-expenditure, amounted to close on fifteen millions or about 6 per cent. of the estimated total wealth of the country. This would represent the savings of about ten good years.

The pressure of these cumulative misfortunes may be arrived at by another method. The loss on the Customs alone through the Plague, Fire and the War, during the two years September 29th, 1665 to September 29th, 1667, was £319,905. 14s. 7d.¹, and the reduction of the whole settled revenue during this period was £600,000². Although the Dutch had spent eleven millions on the contest, the raising of £4,355,047, by increased taxation in England³, was found to be a crushing burden, in view of the misfortunes that had happened since the beginning of the contest. It was calculated, that, owing to the area on which new taxes could be placed being so small, if the war were continued till Christmas 1667, on the same scale as in 1665, some persons would have been compelled to pay to the State one-third of their whole estates⁴; and, for this reason as well as the unmanageable amount of the Crown Debt, it was decided to reduce the expenditure on the navy in 1667 in view of the negotiations for peace which were then in progress. The Dutch increased the captures of British merchantmen and often, for weeks at a time, sailings from the threatened ports were suspended. Thus in December 1666⁵, the merchants of the Tyne and the Humber "murmured cruelly" of the want of convoys, and it was openly said that trade was better guarded in the time of Cromwell. At Newcastle the frequent interruptions of the coal-trade had deprived many of the colliers of work, and numbers of them were forced to beg. On two occasions, the collectors of Hearth-money had been driven out of the town. From Plymouth round to the Severn similar conditions prevailed, and in June 1667 no English ships could sail in safety from these ports⁶. These results of the unavoidable, but premature retrenchment of the navy were inconsiderable, as compared with the consequences of the national

¹ *Calendar Treasury Books*, 1667-8, p. xvii.

² State Papers, Domestic, Charles II., ccxvii. 84; *Calendar*, 1667, p. 471. *A Full Answer to a By-stander*, p. 142.

³ *Calendar Treasury Books*, 1667-8, p. lxiv.

⁴ Petty, *Verbum Sapienti, ut supra*, p. 3.

⁵ State Papers, Domestic, Charles II., clxxviii. 92, clxxx. 127; *Calendar*, 1666-7, pp. 266, 327. The value of the prizes, taken by the English fleets, was great, but it was said that the proceeds were not devoted towards relieving the strain on the Exchequer—Letter from Sir Henry Bennet to the Duke of Ormond, September 11, 1665, printed in *Miscellanea Aulica*, p. 361; *A Detection of the Court and State of England*, by R. Coke, 1721, II. p. 141.

⁶ State Papers, Domestic, Charles II., cciii. 80, cciv. 80; *Calendar*, 1667, pp. 152, 176.

humiliation, when the Dutch fleet made its appearance in the Thames in June 1667 and obtained command of the North Sea. There was a panic in the City¹; an invasion was expected, and, in the desire to escape from the threatened district, those, who had deposits with the goldsmiths, demanded payment of their balances. Thus, there resulted the first run on English banks. One of the leading firms, that of the Viners, had £100,000 available, at the beginning of the panic, but this was soon exhausted. Indeed, it was said that, in this case, certain influential persons obtained early and full payment². Even in this first run, the bankers were sufficiently astute to adopt every possible device to procure time, in the hope that the alarm would abate. To applicants for withdrawals they replied—"It is payable at twenty days, when the days are out we will pay you and those that are not so, they make tell over their money, and make their bags false on purpose to give cause to retell it and so spend time³." The shock to confidence was too severe to be repaired by such methods, and there was a universal suspension of cash payments, the liabilities of the bankers being estimated at £1,200,000⁴. Merchants, who were depositors, were thus unable to meet their obligations, and failures were numerous. On June 15th the state of feeling was graphically described by John Rushworth, who writes that "the people were readie to tear the hair off their heads⁵." The suspension of credit was intensified by the distress of the poor, and all classes suffered by the interruption of the supply of coal from Newcastle. In July fuel had reached famine-prices, and sea-coal was quoted at £6 the chaldron⁶. The "deadness" of commerce was so great that collectors of taxes were unable to enforce payments, owing to "the infinite wants of all men" in their districts⁷. It was the opinion of experienced merchants that the nation was greatly impoverished, and that none of them had known trade to be so bad⁸.

¹ "The alarm was so great that it put both country and city into fear, a panic and consternation such as I hope I shall never see more; everybody was flying, none knew why or whither"—John Evelyn, June 8th, *Diary* (Bohn's edition), II. p. 27. Roger Coke, who was in London at the time, describes "the consternation and confusion" as greater than that in the time of the Great Plague and Fire—*Detection of the Court and State of England*, II. p. 156.

² Pepys, *Diary*, *ut supra*, p. 403; *A Handbook of London Bankers*, by F. G. Hilton Price, London, 1890-1, pp. 168-71.

³ Pepys, *Diary*, *ut supra*, p. 398.

⁴ *Of Trade*, by J. P. 1700 [Brit. Mus. 08226. ee. 2], p. 67.

⁵ State Papers, Domestic, Charles II., ccv. 76, ccvii. 113; *Calendar*, 1667, pp. 188, 246.

⁶ *Mercurius Politicus Redivivus*, Add. MS. (Brit. Mus.) 10,117, f. 693.

⁷ State Papers, Domestic, Charles II., ccix. 67; *Calendar*, 1667, p. 289.

⁸ *Ibid.*, ccix. 149; *Calendar*, 1667, p. 302; *Omnia Comesta a Bello*, 1667, p. [Brit. Mus. 67. a].

The crisis of the years 1665 to 1667 was very severe. It began with an interruption of trade, followed by the successive misfortunes of the Plague and the Fire and ending with the panic of June 1667. During this period, the new undertakings experienced their share of the general depression. Some of them had been started too recently to withstand the accumulation of adverse circumstances they had to face. For instance the Fishery company was unable to complete the subscription of the necessary capital, and it was reduced to dependence on lotteries and other adventitious sources for any funds it secured¹. The effect of the crisis on the East India and African companies is of great interest, for different reasons in each case. The capture of the forts of the latter by the Dutch left it in a position of very great difficulty. The loss of its ships and their cargoes converted the surplus of 1664 into a considerable deficit². The apparent inference from these events would be that the superiority, claimed for the joint-stock over the regulated company for a trade of this kind³, was illusory. At the same time, there were special circumstances, affecting this particular case. The company had suffered, not so much from the rival Dutch organization, but from the fleet under De Reuter. Therefore, its losses were subject to the issue of the subsequent war; and, had England fared better in the struggle, compensation could have been exacted for the company.

The East India company had prudently conserved its resources during the war; and, while it was subjected to little direct loss, it was forced to reduce its operations. The capital, subscribed in 1658, had been adventured for seven years only, and this period was due to close at the end of 1665. Had the stock been wound up, it would have been difficult, if not impossible, to have obtained a sufficient amount of new capital. The extent of the depression may be gathered from the fact that, though the balance sheet of December 1664 showed total assets of 130 per cent. and a dividend of 40 per cent. was actually declared (which was payable in August 1665), the stock *cum* dividend was selling at 70 per cent. of the amount actually paid. Therefore, the final transition from the old system of terminable undertakings to a permanent capital was due to the coincidence of the proposed winding up of the General Stock with an exceptionally unfavourable state of the money-market. But, while the committees were forced to depart from the practice of making a new subscription, they continued what had been the essential evil of that system. Although it was decided that the stock should not be wound up, the court acted as if a new subscription were inevitable, by distributing in the nineteen months between July 3rd, 1665 and February 20th, 1667 no less than 90 per cent. in dividends⁴. The reason,

¹ *Vide infra*, II. p. 373.

² *Ibid.*, II. p. 18.

³ *Vide supra*, p. 273.

⁴ *Vide infra*, II. pp. 133, 178.

assigned for this course, was that the company had cash to this amount, and that, as a consequence of the war, it could not employ it. Underlying this ostensible explanation, there were doubtless other motives. Owing to the great depression of the time and the need of capital, there can be little doubt that the stockholders would have put great pressure on the committees, had they refused to make substantial distributions. Moreover, the condition of the national finances was an element of danger to any body with large liquid assets. As it was, the company had been compelled to lend the Crown £50,000 in April 1666, a further £20,000 in July 1667 and £50,000 on December 4th of the same year¹. It was doubtless recognized that the future of the trade would be on the whole less precarious, if the stockholders were returned nearly the whole subscribed capital (which could be called up again when it was required), than if that capital were in the hands of the Crown, when repayment might be greatly delayed. On the other hand, if it proved impracticable to call up fresh capital on the declaration of peace, the company would be left with very meagre resources. Little profit could have been made during the war; and, after the payment of the dividends of 1667, there would remain, according to the valuation of 1664 a balance in property and cash of not much more than £150,000. Of this sum £120,000 was lent to the Crown; and, pending repayment, the company was left with scarcely any capital to purchase and fit out ships.

One consequence of the great scarcity of capital during the crisis had been the appearance of proposals for the extension of credit by means of the establishment of an institution for the accommodation of merchants. It was to be neither "a bank nor a Lombard" but both combined, the intention being to make advances to traders up to three-quarters or even, in special cases, to nine-tenths of the value of their goods². This scheme was propounded in 1665; and, in the following year, another was mooted for the issue of inconvertible paper, based on the "satisfying security" of land or monies granted to the Crown by Parliament³. The second suggestion is of interest as an anticipation of the land-banks, which became important in the closing years of the century. The discredit of the private bankers in 1667 delayed the realization of these projects, and trade did not begin to revive till peace had been made with Holland. Thereupon merchants everywhere started to fit out ships, while in the first week of September the herring-fleet

¹ Hunter, *Hist. of British India*, II. p. 182 (note); Court Book of the East India Company, xxiii., July 6, December 4, 1667.

² *A Description of the Office of Credit*, London (printed by order of the Society), 1665 [Brit. Mus. 1339. f. 13], pp. 1, 11.

³ *Experimental Proposals how the King may have money to Pay and Maintain his Fleets*, by Sir Edward Forde, 1666, in *Harleian Miscellany* (1746), iv. p. 186.

had already sailed¹. The return of activity showed itself in the beginning of fresh undertakings. Prominent amongst these was the commencement of modern fire-insurance in 1667, in an office founded by Barbon, which was subsequently carried on by a company². The expedition, sent out in 1668 by a group of adventurers, resulted in the incorporation of the Hudson's Bay company in 1670³. At the same period an effort was made to recover land for the growing of hemp by drainage⁴. In 1670 a subsidiary company, formed by the old societies of the Mines Royal and Mineral and Battery Works (which had been re-established soon after the Restoration) was floated under the title of *the Undertaking for the working of Mines Royal in the counties of Cardigan and Merioneth*, with a nominal capital of £4,200⁵. The improvement in trade extended to Scotland, where a company for making wool cards had been established in 1663⁶. This was followed by a whale-fishing and soap-boiling partnership in 1667 with a capital of £11,700, two sugar refineries in 1667 and 1669 and a Fishery company in 1670⁷. The latter had a proposed capital of £25,000 sterling, but it is doubtful if much of this amount was paid up, owing to the jealousy of the gentry and the merchants, and the enterprize was a failure. The other companies met with considerable success, and all of them were in existence in the eighteenth century, while the Soaperie was not wound up till 1785.

In England it was inevitable that the recovery should be slow, owing to the inroads made on the national capital by the funds required for the rebuilding of London and for the carrying on of the war. In 1668 complaints of bad trade continued and also of the high rate of interest⁸. During the year 1668-9 the total trade of London had only increased by about 4 per cent., as compared with 1662-3⁹. When the improvement had made further progress, it was calculated that, since 1630, London had about doubled in value¹⁰, while it was claimed that the whole trade of Holland was twice as much as it had been in 1648¹¹. The greater weight of Customs in England was compared unfavourably with the lighter duties at the Dutch ports, where, through the larger volume of trade, "they receive more Customs and duties to their State in one year by the greatness of their commerce than England does in

¹ *London Gazette*, No. 188, September 2-5, 1667.

² *Vide infra*, III. p. 375.

³ *Ibid.*, II. p. 229.

⁴ Evelyn, *Diary*, *ut supra*, II. p. 53.

⁵ *Vide infra*, II. pp. 403, 404.

⁶ *Ibid.*, III. p. 176.

⁷ *Ibid.*, II. p. 377.

⁸ *Vox et Lacrimae Anglorum* [1668]; *Usury at 6 per Cent. Examined*, by Thomas Manly, 1669, Preface, p. 15.

⁹ Add. MS. (Brit. Mus.) 36,785, ff. 5, 58, 59.

¹⁰ *Several Essays in Political Arithmetic*, by Sir W. Petty, London, 1755, p. 169; *A New Discourse of Trade*, by Sir Josiah Child (4th ed.), pp. 9-13.

¹¹ Anderson, *Annals of Commerce*, III. p. 7.

two by the greatness of its Customs¹." For this and other reasons, it was stated in 1671 that the trade of Amsterdam was ten times that of London².

Such comparisons tend to disguise the real advance in prosperity that had been made in the face of great difficulties from 1668 to 1671. The shipping trade had shown considerable expansion, and allusions occur to "the multitude of ships at sea and the floating forest of masts in the Thames³." It was agreed, also, that there had been an increase in the number of rich merchants, as compared with any period since the beginning of the Civil War⁴. On the rebuilding of London, it was calculated that the new houses commanded double the rent of those which they replaced, while by 1673 buildings on new foundations were said to have let at £300,000 a year⁵.

To some extent the leading companies failed to obtain full benefit from the activity of trade. The African Adventurers were in such difficulties that no progress could be made until an arrangement had been effected with their creditors⁶. Capital was needed; and, although the act of 1662 protected the shareholders from liability to pay any debts in excess of the assets, this measure would not preclude the creditors from claiming to be paid out of any fresh capital subscribed. This fact was sufficient to prevent new funds from being raised by the issue of additional shares; since, naturally, no one was willing to provide money for the payment of liabilities, for which he was not personally responsible. The situation, therefore, resolved itself into the problem of a re-construction of the company. With a view to the provision of further capital, it was agreed that the shareholders should receive 10 per cent. of their holding in the new company and the creditors about 40 per cent. of the sums due to them⁷. This arrangement was agreed to in 1671, and the company received a new charter in the following year by which the title was changed to *the Royal African Company of England*⁸.

The position of the East India company exemplifies the danger of drawing hurried conclusions from the statistics of this period.

¹ *A Discourse of Trade*, by Roger Coke, p. 6.

² *A Treatise wherein is demonstrated that the Church and State of England are in equal danger with the trade of it*, by Roger Coke, London, 1671 [Brit. Mus. $\frac{1029.e.10}{2}$], p. 69.

³ *Regale Necessarium*, by Fabian Philipps, 1671, p. 621.

⁴ *A New Discourse of Trade*, by Josiah Child (4th ed.), p. 10; *Usury at 6 per Cent.*, by Thomas Manley, Preface.

⁵ *The Grand Concern of England Explained*, 1673, in *Harleian Miscellany* (1746), VIII. p. 527.

⁶ *Vide infra*, II. p. 18.

⁷ For the details, *vide infra*, II. p. 19.

⁸ *Ibid.*, II. p. 20.

The dividends paid from 1658 to 1671 may be divided into three groups:

1658 to 1664	60 per cent.
1665 „ 1667	90 „ „
1668 „ 1671	10 „ „
1658 „ 1671	160 „ „

The apparent inference from these figures is that the years from 1665 to 1667 were the most prosperous and those from 1668 to 1671 were the least successful. Whereas the facts of the case, when fully investigated, point to exactly the contrary conclusion. As already shown¹, the payments made from 1665 to 1667 constituted a division of the capital of the undertaking; and, since the shareholders did not subscribe fresh funds when trading was resumed, it was necessary to retain all profits to replenish the depleted resources. Therefore, though only one dividend of 10 per cent. was paid from 1668 to 1671, the trade was prosperous. This is shown by the advance in the price of the stock which had risen from 70 in 1665 to 108-130 in 1669-70².

The effect of the inadequate capital of this company is shown by a comparison of its dividends with those of the rival Dutch organization. From 1659 to 1671 the latter had distributed 260 per cent.³; as compared with 160 per cent., divided by the English undertaking⁴. Moreover, the credit of the former was very good, and in May 1671 its stock changed hands from 560 to 570, these being the highest prices hitherto reached⁵.

During this period some peculiarities in the organization of joint-stock companies emerge. The Hudson Bay company followed the model of the East India body in having a governor and committees⁶, while the Royal African company was the first to introduce a sub-governor in addition to a deputy-governor⁷. In some cases a long interval elapsed between the declaration and the payment of a dividend, and it was the practice of the East India company to allow proprietors to obtain immediate payment, subject to discount⁸. Connected with the holding of stock, it may be noted that on a transfer being lodged with the company in 1668, the question arose whether the stock was owned by a native of England or by a foreigner, and it was resolved that the

¹ *Vide supra*, p. 280.

² *Vide infra*, II. pp. 132-4, 177, 178.

³ G. C. Klerk de Reus, *Niederländisch-Ostindischen Compagnie*, Appendix VI.; Anderson, *Annals of Commerce* (edited by David MacPherson), 1805, IV. p. 488.

⁴ *Vide infra*, II. pp. 177, 178.

⁵ State Papers, Domestic, Charles II., CCLXXXIX. 173, CCLXXXX. 201; *Calendar*, 1671, pp. 219, 317.

⁶ *Vide infra*, II. p. 229.

⁷ *Ibid.*, II. p. 20.

⁸ Court Book, xxv., Feb. 2, 1666.

transferor and transferee must make an oath that the beneficial owner was not an alien¹. At this period a special form of deed was drawn up by the company, which was as follows: "I, A. B., doe sell and assign to C. D. £1,000 subscription in the New General Stock of the East Indies Company² (on which was paid £500) with all present and future proceeds, and in confirmation hereof as my act and deed I sett my hand ye day and year above written³." During the year 1668 transfers of East India stock (or as they were termed "transports") were very numerous. The committees, after approving of the transaction, recorded it in the court books; but, except in special circumstances, the price realized was not entered. It remained for the undertaking for the Mines Royal of Cardigan and Merioneth to introduce the principle of a maximum vote. In this company each share was entitled to a vote, subject to the important proviso that no proprietor might use more than three votes⁴.

It was exceedingly unfortunate that the returning activity of trade was temporarily checked in January 1672, through the financial necessities of Charles II. It has been expected that a portion of the cost of the war from 1665 to 1667 should have been defrayed from prizes, but the sums, realized by the Exchequer, were comparatively small. The money, voted by Parliament for the navy, had been spent on it and other sums in addition⁵. It follows that the deficit on the Ordinary Revenue, which was inevitable, would be still further increased, and the reduction of the Customs during hostilities added to the deficit. In 1667 the debt on the navy was £1,100,000⁶, and the expenses of the Household were returned at £817,207. 7s.⁷ It was reported that "the King intended to make some retrenchments in his family, and to take off one half of his officers⁸." The financial embarrassments are shown by the state of the Exchequer in the following year. The settled revenue was estimated to produce slightly over a million, and efforts had been made to reduce the expenses of the Court. While the actual revenue was about two-fifths of the estimate, the actual outlay, on such of the

¹ Court Book, Jan. 3, 10, 1668.

² It is noteworthy that the company in this document does not call itself by the name given it in its charters. It was held in law that, while a corporation *by prescription* might use any of several names, one *by charter* could only act legally under that given it in the instrument by which it was created—*Reports of Cases* 1 *Will. and Mary to 10 Anne*, by W. Salkeld, 1795, iii. p. 102.

³ Court Book, xxvi., Sept 4, 1668.

⁴ *Vide infra*, ii. p. 404.

⁵ The whole financial situation is ably analysed by Dr W. A. Shaw in the Introduction to the *Calendar of Treasury Books*, 1667-8.

⁶ State Papers, Domestic, Charles II., ccxvii. 84; *Calendar*, 1667, p. 471.

⁷ *Ibid.*, ccxxxvi. 146; *Calendar*, 1667-8, p. 287.

⁸ *London Gazette*, No. 188, Nov. 25, 1667.

departments of the household as can be checked, was slightly in excess of that allowed¹. In view of the fact that it was necessary to provide £100,000 to pay interest on loans, the pressure of the debt was found to be very heavy²; and, in addition to these obligations, there were immense arrears of salaries, for instance the salary of the King's falconer had not been paid for six years³. In his speech at the opening of Parliament Charles II. had said "When we last met, I asked you a supply; and I ask it now again with greater instance: the uneasiness and streightness of my affairs cannot continue without very ill effects⁴." One method, adopted to reduce the indebtedness of the Crown, was the sale of Crown property in 1670. This course was a continuation of the practice of the Long Parliament, and in this case also the lands were sold at a considerable sacrifice. The total sum realized is said to have been £1,300,000⁵; and if the whole amount had been devoted towards the extinction of debt, Charles II. would have remained liable for about a million and a half in 1671⁶. At that date, although many salaries still remained in arrear and the revenue was heavily anticipated⁷, the financial situation was less difficult than it had been since the conclusion of the Dutch War. The outlook for the future introduced several elements of danger. By the secret Treaty of Dover (May 1670), Charles II. was bound to aid France against Holland. The subsidy, he received in return for the promised assistance, would not suffice to equip the fleet, and it was thought that Parliament would not vote money for such a contest⁸. Thus to earn his subsidy, Charles II. was bound to make war on Holland, and there was little prospect of his obtaining the necessary funds by legitimate means. The plan, eventually adopted, was to commit England to the war, and trust that Parliament would grant supplies when it was called together after hostilities had begun. It was known that the Dutch merchant vessels, returning home from the Levant, which were valued at a million and a half, would sail early in 1672, and it was hoped that, by capturing these, a rich booty would be

¹ *Vide infra*, III. p. 531; *Calendar Treasury Books*, 1667-8, pp. xxviii.-xxxiii.:

Actual Outlay—Chamber, Household, Works

—Mich. 1667 to Mich. 1668 £127,429. 0s. 10½d.

Estimate calendar year 1668 £118,000. 0s. 0d.

² *Vide infra*, III. p. 531; *Journals of the House of Commons*, ix. p. 98.

³ *State Papers, Domestic*, Charles II., cclxx. 84, 85; *Calendar*, 1668-9, p. 650.

⁴ *Journals of the House of Commons*, ix. p. 121.

⁵ *A Letter from a By-stander to a Member of Parliament*, London, 1741, p. 88; *An Account of the Growth of Popery and Arbitrary Government*, by Andrew Marvel, 1677, in *State Tracts, being a Collection of Several Treatises privately printed in the Reign of King Charles II.*, (1693), I. p. 78.

⁶ *Charles II.*, by Osmund Airy, London, 1904, p. 269.

⁷ Add. MS. (Brit. Mus.) 28,078, f. 63.

⁸ *Journals of the House of Commons*, ix. p. 247.

secured¹. The state of the finances was so bad, that funds were required to despatch the fleet and to make other preparations; and, while the King's advisers were at a loss to obtain money, it was suggested that the difficulty could be met by the closing of the Exchequer for payments on assignation. By this operation the incoming revenue, which should have been paid out to bankers against their previous advances, would be liberated for the purposes of the coming war and would carry it on for some months.

The "stop of the Exchequer" was ordered on December 18th, 1671, and the consequences were disastrous, not only to the credit of the Crown, but to the trade of the country². Apparently only the bankers immediately concerned were affected, but it is to be remembered that most of the funds, lent by them to the Crown, had been borrowed from their depositors. The bankers were unable to obtain the payment promised them at the due dates, and, consequently, they could not meet their obligations. About one-half of the whole number failed, and from them the area of ruin extended to the merchants, until it reached many widows and orphans, whose income was derived from the interest on their capital³.

Some effort was made to maintain a vestige of the royal faith, by the promise of 6 per cent. interest on the sum of £1,328,526, which was stopped⁴; but, even had this promise been punctually performed, it would have been small compensation to those whose credit had been lost in the crash. Altogether it was computed that nearly ten thousand families were serious sufferers, and "that many of them were entirely ruined⁵."

¹ Evelyn, *Diary, ut supra*, II. p. 73; *History of the Public Revenue of the British Empire*, by Sir John Sinclair, London, 1803, I. p. 314.

² State Papers, Domestic, Charles II., cccii. 76; *Calendar*, 1671-2, pp. 87, 88.

³ Evelyn, *Diary, ut supra*, II. p. 76; *History of England*, 1660-1702, by R. Lodge, 1910, p. 109.

⁴ Sinclair, *History of the Public Revenue of the British Empire*, I. p. 315; *History of Banking*, by W. J. Lawson, 1850, pp. 197-200; Andréadès, *History of the Bank of England*, p. 39.

⁵ Anderson, *Annals of Commerce*, III. p. 32; *Growth of Popery*, by A. Marvel, in *State Tracts of the Reign of Charles II.*, I. p. 79; *Memoirs of Sir John Reresby*, 1735, p. 21.

CHAPTER XV.

FROM THE STOP OF THE EXCHEQUER TO THE CRISIS OF 1686.

THE stop of the Exchequer constituted the beginning of a period of depression, which lasted from the first months of the year 1672 until early in 1674. Some measure of the extent of the shock to credit may be obtained from the statements that in 1672 one of the bankers had obligations outstanding to the extent of £1,100,000¹; and that, in 1673, the business of lending money was described as having been effectually suppressed². The time was spoken of as one "of general poverty³," when many were unemployed and the indigent in England and Wales were said to number between one hundred and fifty thousand and half a million persons⁴. Attention was directed to "the usurpation" by foreign countries of the trade of Britain, and the Dutch were charged with various commercial immoralities, while it was said that the French aimed at "an universal commerce as well as an universal monarchy⁵." In spite of foreign competition, had the suspension of credit been an isolated event, it is probable that commerce in London would have begun to reassert its previous activity about the end of 1672, but "the stop" was closely connected with the war with Holland, which involved losses and a considerable outlay. Moreover, the financial situation in 1674 resulted in a second, but a less serious run on those bankers who had re-commenced business. The methods, adopted for the provision of

¹ *Some Considerations of the Consequences of the Lowering of Interest*, in *Works of John Locke*, London, 1727, II. p. 5.

² *The History and Proceedings of the House of Commons*, London, 1742, I. p. 182.

³ *Two Seasonable Discourses concerning this present Parliament*, 1675, in *State Tracts of the Reign of Charles II.*, I. p. 68.

⁴ *The Art of Good Husbandry*, by R. T., 1675, in *Harleian Miscellany*, I. p. 378; *How to Advance the Trade of the Nation*, by William Gosse, in *Ibid.*, IV. p. 366.

⁵ *The Dutch Usurpation*, by William de Britaine, 1672, in *Harleian Miscellany*, III. p. 14; *The Present State of Christendom and the Interest of England with regard to France*, 1677, in *Ibid.*, I. p. 245; *A Discourse of Trade wherein is plainly discovered the True Cause of the Great Want of Money*, 1675, pp. 1-6.

resources for the war, were exceedingly involved. The funds, diverted from the payment of the liabilities to which they were assigned, became in reality a forcible postponement of the satisfaction of the creditors of the Crown. Therefore, although ready money was provided, the liability remained. The war was unpopular¹, and the House of Commons granted a supply, estimated to produce £1,260,000, unwillingly; and enquired closely into the disbursement of this and other sums, available for the carrying on of the contest. It was estimated that there was received from the Parliamentary grant, the sale of prizes, the Dutch indemnity, and portion of the Customs revenue assigned to the navy, a total of £3,040,000: while the outlay on the war was returned at £2,040,000, leaving exactly a million unaccounted for². This investigation, like that of the finances of the previous struggle with the Dutch, does not take account of the normal shortage of the Ordinary Revenue and of the failure of the grant to reach the estimated amount, as well as the falling off in the Customs during the period of hostilities. For instance, the whole amount collected (apart from recent increases of rates) for the three years, Michaelmas 1671 to Michaelmas 1674, in England and Wales, showed a reduction of about one-third, as compared with the figures of 1668³. On the other side, the funds at the disposal of Charles II. were augmented by the subsidy from France, which is said to have been spent on the navy⁴.

In spite of the known and secret resources of the Crown, by the end of 1673 the finances were in an exceedingly embarrassed condition. The estimate for the financial year Michaelmas to Michaelmas was framed on the basis of a reduced income from Customs, and it was found that the whole settled revenue was anticipated with the exception of about £150,000⁵. In addition, it was reported that there was no fund to pay the fees and salaries in the Exchequer, for secret service, interest on money already borrowed and the arrears of the household—"all of which amount to a very great sum of money⁶."

The explanation of the difficulties of financing the Crown involves

¹ *The Grand Question Resolved whether a King of England can make Wars and Alliances without Notifying it to Parliament* [1673], in *Miscellanea Aulica*, p. 260.

² *Hist. and Proceedings of the House of Commons*, i. p. 238.

³ In both cases the statistics relate to the actual collection, not the rent of the farm—

1668	£828,200. 17s. 4d.
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1671-4, annual average, deducting additional duties...	£558,566. 5s. 6½d.
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—Add. MS. (Brit. Mus.) 36,785, ff. 59, 60; Add. MS. 28,078, ff. 201-2; cf. *An Estimate of the comparative Strength of Great Britain, and of the Losses of her Trade from every War since the Revolution*, by George Chalmers, London, 1794, p. 49.

⁴ *Vide infra*, III. p. 530, note (10).

⁵ Add. MS. 28,078, f. 116.

⁶ *Ibid.*, f. 119.

taking note of a number of varying influences. The position from 1672 to 1674 might be described in the following terms. The estimated settled revenue, together with the special grant for the war, would about meet the estimated expenditure¹. But there was no allowance made for interest on the large outstanding debt². Contingent receipts, such as Prize-money and the indemnity, should have sufficed to meet this charge and to have provided a moderate amount towards the reduction of the anticipations. This statement of the situation, however, was only true, subject to many provisos. First, the estimated revenue and the supply for the war must reach the sums expected, and the estimated expenditure must not be exceeded. As a matter of fact, all these conditions were violated, and hence the difficulties of the year 1674. Mention has already been made of the decline of the Customs through the war³; and, in addition to this cause, there was another which tended to produce a diminution in the settled revenue. The farming of the Customs and of the excise was subject to grave abuses. Petty estimated that the total Customs duties, which should have been collected, ought to have reached a million a year. Out of this, owing to false declarations of merchants, the charge of collection and the profit of the farmers, the Crown only obtained one-half⁴. Moreover, the fixing of the rent, payable by the farmers, was affected by various indirect practices. In 1673 the Commissioners of excise were interested in the farm to the extent of seven thirty-second parts of the whole. On this share of the profit, they succeeded in raising £90,000, besides an income of £6,000 a year during the currency of the lease, "whereby," according to the report of Godolphin, "contrary to law, they were become both farmers and commissioners⁵." In other cases, the Crown suffered through the persons, who tendered, offering large bribes, with the result that the highest offer, with the best security, was sometimes not accepted⁶. The same corruption extended to the Exchequer, and it is significant that, at a later date, it was discovered by Dudley North, that one of the auditors had systematically falsified a whole set of books⁷. In view of these circumstances and the original insufficiency of the settled revenue, it was unavoidable that the actual receipts of the Exchequer, under this heading, should fall far short of the estimates.

¹ *Vide infra*, III. pp. 530.

² Reresby states that in 1675 the debt was returned at four million £s, besides what was due to the bankers through the stop of the Exchequer—*Memoirs*, p. 27.

³ *Vide supra*, p. 289.

⁴ *Several Essays in Political Arithmetick*, London, 1755, p. 161.

⁵ *State Papers, Domestic*, Charles II., Entry Book, LXXI. p. 77.

⁶ Burnet, *History of His Own Time*, Oxford, 1833, II. p. 103.

⁷ *The Lives of Francis North, Baron Guilford and Sir Dudley North*, by the Hon. Roger North, London, 1826, III. p. 150.

On the other hand, the actual outlay largely exceeded that estimated. In the spending departments there was similar corruption; and, in addition, certain large sources of expense were either greatly under-estimated or did not appear in the estimates at all. What might be described as the expenses of the Court for the two years (Easter to Easter) 1661-3 were under a quarter of a million a year¹. For the same length of time from 1672-3, the estimate was close on £350,000, and the actual disbursements for the two years 1673-5 came to over half a million annually, or more than double the average sum that sufficed for 1661-3². The greater part of the increase is accounted for by the alarming addition to the pensions and bounties. For 1672 and 1673 the total estimate was £160,000, whereas, in the two years 1673-5 no less than £387,233 was distributed under this heading, or over six times what had sufficed between 1661 and 1663. These were the payments out of the Exchequer, and to these must be added the gifts to the mistresses of Charles II. from other sources³. That popular opinion was alive to the causes of the increase of expenditure is shown by the clause in the impeachment of Arlington in 1674, which charges him with having sanctioned or advised, during his tenure of the secretaryship, grants amounting to at least three millions⁴. In addition to the pensions, there was a comparatively small, but an almost general increase on the estimate in the expenses of the Court; so that, on the whole, apart from the services, the actual expenditure was much greater than that allowed for. But the revenue was much less than that expected, hence it follows that, if the expenses of the war were paid, there would be a large addition to the arrears, already due on the Ordinary Expenditure. When Sir Thomas Osborne (afterwards Earl of Danby) became Treasurer, the Crown had reached the end of its credit. The bankers were extremely dissatisfied⁵, and it was found impossible to borrow until the existing anticipations had been materially reduced⁶. The situation was further complicated by the advisability of providing funds to pay interest on the bankers' debt, and it was feared that this liability would "devour" any savings that might be made in the ordinary course⁷. Further, Danby required money to carry out his scheme of purchasing a majority of votes in the House of Commons⁸. He proposed to take advantage

¹ *Calendar Treasury Books*, 1660-7, p. xxxii. ² *Vide infra*, III. pp. 530, 531.

³ State Papers, Domestic, Charles II., cccxxxvii. 171.

⁴ *Journals of the House of Commons*, ix. pp. 294, 296.

⁵ State Papers, Domestic, Charles II., cccxxxvii. 163; *Calendar*, 1673-5, p. 5.

⁶ Add. MS. (Brit. Mus.) 28,078, ff. 11, 12.

⁷ *Ibid.*, f. 16.

⁸ In the Session of 1674 one member was reported to have said he expected to make it worth £5,000 to him (*Journals of the House of Commons*, ix. p. 301). It was stated that the usual rate at this time was a guinea a vote and a dinner every day in the week during the Session, "unless the House be upon money or a Minister

of the provision, which exempted the Secret Service payments from a detailed accounting, by making his bribes through this fund¹. Owing to the war expenditure, the necessity of making some disbursements for carrying on the government and the absence of credit, Danby was left without any available resources to discharge current liabilities, much less to make a new class of outlays. The method, by which he managed to finance the Crown, was to lessen the anticipations by effecting a drastic reduction in the pensions. With reduced anticipations, he expected to be in a position to borrow enough to tide over the present difficulty until the Commons granted a supply, or relief came from some other direction. This policy had certain important indirect results. The report of the proposed retrenchments produced great uneasiness, and it was supposed to be only the prelude to another stop of the Exchequer. People remembered the consequences of the failure of the bankers two years before, and there was a general desire to withdraw deposits so that there was another run; and, for a short time, credit could scarcely be obtained².

The depression from 1672 to 1674 was noteworthy in so far as it began and ended with a panic, in each case occasioned by a run on the bankers. At the same time, it is to be remembered that credit was in its infancy, and that therefore the suspension of cash-payments by a number of the goldsmiths did not produce such serious consequences as might have been expected. Thus the effects were much less permanent than those of the great crisis from 1665 to 1667. The burden of the war, both in extraordinary taxation and losses, was less; while, on the later occasion, there had been no remarkable catastrophe such as the Plague or the Fire. For these reasons, the years 1672 to 1674 represent rather a check to the recovery of the previous losses than the incurring of new ones. Similarly, soon after the peace with Holland in February 1674, a period of great activity in trade began, which (with the exception of a small crisis in 1678) lasted until the middle of 1682. Many circumstances contributed towards this prosperity. Already much of the wealth, destroyed by the Fire, had been replaced by fresh accumulations.

of State"—*A Letter from a Parliament Man to his Friend*, 1675, in *State Tracts of the Reign of Charles II.*, p. 55.

¹ Total Secret Service 1661-1663 two years	...	...	...	£56,025
" " " 1671-1673 "	...	...	...	£124,282
" " " 1677-1678 one year	...	...	...	£104,307
" " " 1676-1679 three years	...	...	...	£252,467

—*State Papers, Auditors' Declaration Books; Calendar Treasury Books*, 1660-7, p. xxxii.; *infra*, III. p. 531; *A Collection of Some Memorable and Weighty Transactions in Parliament in the year 1678 and afterwards, in relation to the Impeachment of the Earl of Danby*, London, 1695, pp. 6, 23.

² *Charles II.*, by Osmund Airy, London, 1904, p. 295.

The unsatisfactory position of England in foreign politics tended on the whole to an increase of trade. France and Holland were still engaged in a destructive war; and, while this lessened the purchasing power of each, England gained by the reduction, and in some cases the cessation of competition in the remaining foreign markets. The woollen trade especially benefited, particularly in manufacturing for the Levant, where for several years English merchants secured by far the greater part of the trade¹. For the time being, too, the commodities, that had formerly been purchased by Holland from France, were imported from Britain, and, immediately on the declaration of peace in 1674, London merchants obtained more orders than they could execute. It is recorded that, on one occasion in the winter 1674-5, there sailed from Rotterdam no less than 300 vessels, all owned in England, Scotland or Ireland². The abatement of Dutch competition was a temporary advantage to the East India and African trades³, while the preoccupation of France enabled the Hudson's Bay company to establish itself, free from serious interruption⁴.

The industrial activity manifested itself in an increasing demand for credit. By 1676 the office for the discount of mercantile bills was in operation⁵, but it was objected that such an institution "having no fund, anchorage and secure foundation would come to nothing⁶." A much more elaborate scheme was propounded by Andrew Yarranton for the establishing of a bank in each important trading centre, based on land security, and dependent on a register of titles⁷. A combination of this idea with that of a foreign trading company, to be established in Ireland, was worked out in considerable detail by Richard Lawrence⁸.

In addition to the general activity in the home trade, the return of

¹ *Hist. and Proceedings of the House of Commons*, i. p. 249. On October 26th (N.S.), 1674, Sir W. Temple wrote from the Hague: "But what makes the bent of the people in general so passionate for a peace is the immeasurable burden of their taxes and the interest of the trading towns; they say upon all occasions none gets by this war but England and that if it should continue a year or two longer the general course of trade would run so far into our channel that they should be in danger never to recover it," *Works*, iv. pp. 57, 58.

² Anderson, *Annals of Commerce*, iii. p. 47.

³ *Vide infra*, ii. pp. 21, 134, 135.

⁴ *Ibid.*, ii. p. 231.

⁵ *Proposals for the Advancement of Trade upon such Principles as must necessarily enforce it*, by R. Murray, 1676, pp. 5, 6.

⁶ *England's Improvement by Sea and Land*, by Andrew Yarranton, 1677, p. 22.

⁷ *Ibid.*, pp. 18-36; *Reasons and Proposals for a Registry or Remembrancer of all Deeds and Incumbrances of Real Estates*, by N. Philpot, 1671; *A Treatise concerning Registers to be made of Estates*, by W. Pierrepont, in *Harleian Miscellany* (1746), iii. pp. 302-11.

⁸ *The Interest of Ireland in its Trade and Wealth stated*, by Richard Lawrence, Dublin, 1682, Part ii. pp. 4-6, 10-18, 33-42.

confidence is indicated by the progress of invention. The development of the cloth trade is shown by the proposal to patent a mechanical device, whereby the cessation of work, through want of water to drive water-wheels in the summer time, would be avoided¹. Another scheme was designed to effect great improvements in the wheels themselves². Then, in connection with the progress of shipping, a new method of buoying vessels was propounded, and an engine, which would tow ships in and out of harbours without the use of oars³; while the company, formed in 1670 and known as *the Milled-Lead Adventure*, for supplying a new sheathing for ships, was apparently becoming successful⁴. There were a number of ideas, intended to increase the comforts of domestic life; such as a secret method of producing suet candles, by which the usual offensive smell of these, when lighted, was avoided⁵. Then, a process had been discovered for the more expeditious printing of textile stuffs to be used for hangings in rooms, and another for the production of artificial marble for mantelpieces⁶. A patent was applied for to protect an invention for the making of "crystalline glass" and another for an engine to crush apples to abstract the juice, from which cider was produced⁷. Between the end of 1673 and 1677, there were at least four different plans for pumping engines, designed to raise water to houses, or to drain mines and marshes⁸. The rebuilding of London had occasioned an increased demand for a water-supply. The New River company, after making slow progress for nearly half a century, was now advancing rapidly. It was able to distribute a dividend of £145. 1s. 8d. on each adventurer's share in 1680⁹, the London Bridge Water Works had been rebuilt after the fire¹⁰ and the patentees, who had obtained a concession for supplying Thames water in the Westminster district in 1665, had begun to sell shares in the undertaking in 1675¹¹.

The progress towards the repair of the losses of the Great Fire is indicated on the one hand by the appearance of a directory of London merchants in 1677¹² and in another manner by the calculations of Petty

¹ State Papers, Domestic, Petition Entry Book, xxxvi. p. 317; *Calendar*, 1673-5, p. 65.

² *Ibid.*, Petition Entry Book, xlvi. p. 151.

³ *Ibid.*, H. O. Warrant Book, i. p. 24, Petition Entry Book, xlvi. p. 33.

⁴ *Vide infra*, III. p. 106.

⁵ State Papers, Domestic, Charles II., ccclxii. 43, 44; *Calendar*, 1673-5, p. 390.

⁶ *Ibid.*, Petition Entry Book, xlvi. pp. 17, 151.

⁷ *Ibid.*, Petition Entry Books, xl. (minute), xlvi. p. 139; Evelyn, *Diary*, ut *supra*, II. p. 115.

⁸ State Papers, Domestic, Petition Entry Books, xl. p. 166, xlvi. pp. 17, 31.

⁹ *Vide infra*, III. pp. 25, 31.

¹⁰ *Ibid.*, III. p. 12.

¹¹ *Ibid.*, III. p. 419.

¹² *A Collection of the Names of Merchants living in and about the City of London*, 1677 (reprinted 1878).

in his *Political Arithmetick*, which was written about this time¹. He estimates the national dividend of England and Wales at about 42 millions, showing an increase of 2 millions as compared with 1664. The income of the whole Empire he supposed to be 70 millions. The foreign trade of the world is returned at about 45 millions, of which Britain possessed two-ninths, while the proportion in shipping was one-quarter of that owned by the other nations of Europe. The housing of London was supposed to have doubled in value since 1636².

While the tendency through the country was to resent the determination of the foreign policy of Great Britain by France, the attitude of isolation, which Charles II. had so far preserved, caused Parliament to grant only meagre supplies and to take note of abuses in the administration of the finances. In 1675 the House of Commons resolved to present an address to Charles II., pointing out that the anticipation of the Customs was a disservice to the kingdom, and asking that the existing practice should not be continued³. The point at issue in this case, between the Crown and Parliament, was pithily expressed in the following dilemma—"either the publick revenue is sufficient to answer the necessary occasions of the Government, and then there is no colour for anticipations: or else, by some extraordinary accident, the King is reduced to want an extraordinary supply, and then he ought to resort to his Parliament⁴." At the same time, an attempt was made to impeach Danby, who was charged with perverting the ancient course of the Exchequer, whereby the accounts were brought into confusion and the credit of the Crown destroyed⁵.

In spite of the venal party, which had been bribed into supporting the Court, there was a powerful opposition, which was endeavouring to force a breach with France as the only condition on which supplies could be obtained. In the session, which began in October 1675, Charles II., while admitting that "by a late account he had taken of his expenses⁶,

¹ It appears that the MS. was begun in 1671 and that Petty was still working at it in 1671 and 1672. There are references in the work, as published, which show that either it was completed not earlier than 1676 or else that, if finished earlier, portions were added which relate to events up to 1676—*The Economic Writings of Sir William Petty*, edited by H. C. Hull, Cambridge, 1899, i. pp. 235, 236.

² In his estimate of the total British and Irish trade at £10,180,000, Petty takes account of the earnings of shipping which he states at 1½ millions. At the same time the imports from the countries of Europe are omitted; and, as a result, the imports as a whole are under-stated. Such under-statement necessarily reflects on the adequacy of the estimate of the world's foreign trade.

³ *Journals of the House of Commons*, ix. p. 323.

⁴ *A Just and Modest Vindication of the...Two Last Parliaments of King Charles II.* in *State Tracts of the Reign of Charles II.*, p. 173.

⁵ *Journals of the House of Commons*, ix. p. 323.

⁶ *Vide infra*, iii. p. 531.

he had not been altogether so good a husband as he might have been," asked for a supply to reduce the anticipations¹, which were admitted to amount to about a million². The House of Commons expressly refused funds for paying the King's debts, and, in granting money for an addition to the navy, it took steps that the amount collected should only be spent for this purpose.

It is clear that the settled revenue, even when augmented by the French subsidy, would not suffice for the payment of the fixed charges, interest, pensions and secret service money with a concurrent reduction of the debt. As time went on, salaries fell more and more into arrears, and many of the payments were made by means of tallies. Seamen and soldiers had long suffered from this method; but, when it was applied to the servants of the Royal Household, there were loud outcries. About November 19th, 1678, the "servants below stairs," in a petition to the Board of Green Cloth, demanded that the best of the tallies and nearest to payment should be given to them and those remotest left for the servants above-stairs³. By this time, partly from financial reasons, partly owing to other causes, Charles II. had decided at least to make a pretence of falling in with the foreign policy, which commended itself to the majority in Parliament; and, by the beginning of the year (1678), a supply of over 2 millions was proposed for the purpose of waging war with France⁴. The declaration of hostilities, so anxiously awaited, never came, but the expectation of it occasioned a run on the bankers towards the end of the year, and the crisis was prolonged by the revelations made in support of the Popish Plot⁵.

On March 31st, 1679, the Crown debt was returned at close on a million and a half, of which £200,000 was for arrears of pensions. This statement took no account of the bankers' debt, or other sums borrowed at interest⁶. With the revenue so heavily anticipated and the Parliamentary supply definitely earmarked for specific purposes, such as the building of men-of-war or the disbanding of the standing army, it became necessary to make a fresh investigation of the finances. On the fall of Danby, it was believed that retrenchments could be effected, by

¹ *Journals of the House of Commons*, ix. p. 357.

² *Hist. and Proceedings of the House of Commons*, i. p. 239. The estimate before Parliament was as follows—

Settled and other Revenue ...	...	...	...	£1,600,000
Navy, Army and Government ...	...	...	...	£700,000

³ State Papers, Domestic, Charles II., ccccviii. 120.

⁴ Provision Navy ...	...	...	...	...	£1,414,920
„ Army ...	...	...	...	...	637,000
Total annually ...	...	...	...	...	£2,051,920

—*Journals of the House of Commons*, ix. p. 438.

⁵ Burnet, *History*, ii. p. 155.

⁶ *Vide infra*, iii. p. 544.

which a quarter of a million annually would be available for the reduction of the anticipations¹. What saved the situation for the advisers of Charles II. was the advance of the settled revenue, under the stimulus of the improvement of trade. The estimate for 1679 was framed on the basis of over £1,200,000, and the actual receipts exceeded this amount by more than £400,000, chiefly by the high yield of the excise. Extraordinary Parliamentary grants and casual income brought in an equal amount, so that the whole receipts (apart from loans) came to over two millions. The expenditure, including a considerable payment of pensions and secret service money, but without repayments of specific borrowings, came to £1,940,000. There was thus a surplus of close on £115,000, all of which was used, with the addition of money withdrawn from the cash-balance, in paying off £137,800 of tallies on the excise. In the following year, a further £62,000 of these obligations was discharged². In 1681 the House of Commons resolved that any person, who advanced money on any branch of the settled revenue or who bought any tally, "shall be adjudged to hinder the sitting of Parliaments and be responsible therefor in Parliament³." In that year it was proposed to effect considerable reductions in the expenditure. The settled revenue was estimated at close on £1,200,000 and the ordinary outlay at less than £900,000⁴. The actual expenditure (other than repayment of loans) was £1,163,000, but the receipts again exceeded the estimate, and there was a surplus of over a quarter of a million, which was used for the extinction of a part of the debt⁵. There had been a large

¹ *Diary, Life and Times of Charles II.*, edited by R. W. Blencowe, 1843, i. p. 189.

² For the details *vide infra*, III. pp. 530-41.

Estimated Settled Revenue	...	...	...	...	...	£1,221,000
Actual	„	„	...	...	...	1,638,654
Casualties	...	...	...	...	...	19,301
Parliamentary Grants	...	...	...	...	...	397,499
Total (exclusive of loans)	...	...	...	...	...	£2,055,454
Expenditure, exclusive of repayment of tallies and other advances	...	...	...	...	...	1,940,866
Surplus	...	...	...	...	...	£114,588

³ *Journals of the House of Commons*, ix. p. 702.

⁴ *Vide infra*, III. pp. 530, 531.

Estimated Settled Revenue	...	...	...	...	...	£1,190,000
„ Expenditure	...	...	...	...	...	878,000
Settled Revenue (actual)	...	...	...	...	...	1,408,298
Other Receipts (exclusive of loans)	...	...	...	...	...	43,763
Total	...	...	...	...	...	£1,452,061
Actual Expenditure	...	...	...	...	...	1,163,982
Surplus	...	...	...	...	...	£288,079

repayment of loans in 1680, so that altogether, in the three years Lady-Day 1679 to Lady-Day 1682, there had been a great reduction of the indebtedness of the Crown. There is one element which makes it difficult to determine the exact amount paid off on balance. The accounts show the issues for principal and interest, thus they tend to produce the impression that the repayments were larger than they actually were. Since the estimate of the year 1681 provides for a charge of £120,000 for interest, the whole amount, over the three years, may be roughly estimated at thrice that sum. When allowance is made for this and for the discharge of £200,000 of tallies on the excise from 1679 to 1681, the whole amount of debt, paid off on balance from 1679 to 1682, was close on £1,100,000, or just about the estimated amount of a year's settled revenue.

The increasing yield of the Customs and excise only reflected the great activity of trade during the period, bounded on the one side by the crisis of 1678 and on the other by that of 1682. This activity was marked in several directions. There was a fresh series of inventions, such as one for the smelting of minerals in 1680¹, another for an engine to raise foundered ships, and a third for an improved log². Attention was directed to the rapid depreciation of vessels trading into the tropics, and there were several proposals to preserve their timbers. One method was impregnating the wood "with a bitter sulphurous matter³," and the other was the rolled-lead invention, which had now been in actual use for several years⁴.

Several comparisons made during this period show traces of the prevalent industrial progress. It was estimated in 1678 that, in the thirty-six years 1620-56, 7,500 new houses had been built in London: whereas, in twenty-one years from 1656 to 1677, the increase had been 10,000, the rent of which was £70,000⁵. From 1660 to 1666 the bullion imported averaged £60,000 a year; while, from the latter date to 1680, it was returned at £372,000, annually⁶. The expansion of trade had made it needful to increase the stock of metallic money, and in the two years 1679 to 1681 there was coined £1,618,746. 4s. 9½d., as against only £540,583. 13s. 8½d. in the same period from 1672 to 1674⁷. This growth is the more significant, as proceeding side by side with the extension of credit by means of banking facilities. For some time after the stop of the Exchequer, confidence in the goldsmiths had been shaken, but the facilities, they afforded, tempted those possessed of floating

¹ State Papers, Domestic, Petition Entry Book, Lxi. p. 4.

² *Ibid.*, lv. pp. 110, 278.

³ *Ibid.*, Entry Book, Lxxi. pp. 29, 119.

⁴ *Vide infra*, III. pp. 106, 107.

⁵ State Papers, Domestic, Charles II., ccccviii. 21.

⁶ *Ibid.*, ccccxvi. 94.

⁷ *Ibid.*, cccclx. 172; cccclxviii. 94; ccccxvi. 185, 187.

capital, to avail themselves of the services offered; while the high rate of discount induced others to enter the business¹. In 1678 proposals were printed for the extension of the system from London throughout the provinces, in order to increase the national capital available for trade, whereby the circulation of money would be made more rapid—which being “expeditiously returned would seem a great deal, doing the work of four times the same quantity moving slowly, as a stick moved round very quick seems to be in every place².” In 1679 goldsmith’s bills had become so common, that numerous counterfeit notes were in circulation³. The growth of wealth is shown by the facility with which the East India and African companies could borrow money. Both these bodies had augmented their working capital, by accepting deposits, payable on demand or at short notice. About 1680 the former company was able to borrow at between 4 per cent. and 5 per cent.—a considerably lower rate than that paid by Charles II.—and in 1681 the interest was no more than 3 per cent.⁴ The phenomenon of a low rate of interest, combined with active trade, is probably to be explained by the fact that a check had been experienced in the cloth trade, and that the new channels of investment did not suffice for the employment of the whole of the funds thus liberated⁵.

The broadening of trade led to new undertakings being started, and to some of those, that had been established previously, being extended. In 1680 the fire-insurance office founded by Barbon in 1667 was re-organized on a broader basis, and the ownership was vested in a small company, composed of “persons of condition,” who guaranteed its solvency by the security of ground-rents they owned, which were made liable for losses in excess of the premiums received⁶. In the same year the postal facilities in London were very greatly increased by the establishment of *the Undertaking of the Penny Post*⁷. About this date there was a proposal for infant insurance, which, it was expected,

¹ *The Mystery of the New Fashioned Goldsmiths or Bankers*, 1676, pp. 3, 4.

² *Proposals to the King and Parliament, or a Large Model of a Bank*, by M. L[ewis] D.D. 1678, p. 4.

³ State Papers, Domestic, Entry Book, lv. p. 28. The type of goldsmith’s deposit note is described in *The Grasshopper in Lombard St.* by J. B. Martin, London, 1892, p. 127. In addition to this there was the banker’s promissory note, which appears to have been known in 1668, and a specimen is in existence dated November 28, 1684—*The Rise of the London Money Market 1640-1826*, by W. R. Bisschop, London, 1910, pp. 56, 57.

⁴ *Journals of the House of Commons* ix. p. 422; Anderson, *Annals of Commerce*, iii. p. 75; *Collection of Letters for the Improvement of Husbandry and Trade*, by John Houghton, 1681-3, i. p. 148; *England’s Improvement by Sea and Land*, by Andrew Yarranton, 1677, pp. 17, 23.

⁵ *Vide infra*, ii. p. 136.

⁶ *Ibid.*, iii. p. 375.

⁷ *Ibid.*, iii. pp. 43, 44.

would give the Crown the use of a million sterling for about twenty years and yield a profit of £600,000. It was suggested that subscribers should be entitled to pay in £25 on the life of any child under two years of age, and the number of nominated lives should be limited to 40,000. On each of these, attaining the age of 21 years, £100 should be paid. Since 60 per cent. of infants born died before reaching the specified age, the policies payable would only amount to £400,000, leaving a gross profit of £600,000¹.

In addition to the water-supply companies already founded, another was started in London in 1681 which was incorporated as *the Governor and Company of the Waterwork and Water-houses in Shadwell*²; and in the previous year a provincial undertaking of the same kind had been established at Newcastle-on-Tyne³.

In Scotland, too, a trade-revival was in progress, and a company for the production of fine cloth was founded in 1681 at New mills, in Haddingtonshire. This venture is of peculiar interest, partly because it is the only case in which the minutes and documents, corresponding to the articles of association and prospectus of a British manufacturing company of this early period, have been discovered, partly as an instance of the difference in the methods of establishing companies in England and in Scotland. Even during the Protectorate, it was held in theory (though not enforced in practice) that according to English law a charter was required to constitute a trading corporation⁴; and, in these instruments, minute regulations were framed for the conduct of business by the bodies, so created. In Scotland, on the other hand, the acts of 1661 and 1662 authorized individuals to incorporate themselves, without any formality. Therefore, it would appear that a Scottish incorporation would be unable to obtain the privileges, which constituted a common part of the English charter. This difficulty was met by the earlier acts promising certain franchises to those who established new industries, such as exemption from taxes for nineteen years and naturalization for foreigners. Though several companies had been founded in Scotland between 1662 and 1680, it was felt that the inducements, offered by the acts of 1661 and 1662, were not sufficient, and, in each case, specific privileges were granted by further measures. A new act was passed in 1681, which completed the protection of Scottish infant industries by the exclusion of competitive imports. Therefore, the main difference between the policy of the two countries, in encouraging a new manufacture, was that, in England, persons who provided the capital might

¹ Add. MS. (Brit. Mus.) 28,078, f. 462.

² *Vide infra*, III. p. 32.

³ *Ibid.*, III. p. 34.

⁴ *Of Corporations, Fraternities and Guilds*, by W. Sheppard, 1659; *Forms and Presidents of Charters Concerning Corporations*, *passim*.

obtain a monopoly for the process, but they were subject to such foreign competition as was deemed advisable under the existing fiscal arrangements. In Scotland, on the other hand, though a few monopolies were granted, as a rule, the *entrepreneur* had to be prepared to face domestic competition, but he was freed from that of foreigners; and, at this time and until the Union, England was reckoned as a foreign country for commercial purposes.

The Scottish company differed from those chartered in England, not only in its relation to the State, but also in its constitution. The direction of English companies had been the result of a long process of continuous development from the time when the supreme authority had been vested in the governor, to whom the other officials, elected by the members, were subordinated to such an extent that at first they had no name¹. Prior to the adoption of the joint-stock system, the name of those, who controlled industrial enterprises, had been fixed as the governor and assistants, and this nomenclature was continued during the reigns of Elizabeth and the Stuarts, subject to the modification that in some cases the court was known as the governor and committees². In Scotland the practice differed. There the chief importance was assigned, not to a single head of the company, but to the group of persons, corresponding to those now known as directors, and who were described as "managers." These elected a "præses" for each of their meetings. There were other points of individuality in the constitution of the New mills company, which may or may not have been typical of contemporary undertakings. At its formation, a "memorial" or prospectus was circulated which fixed the share-capital at £5,000, and elaborate calculations were made according to which a profit of 25 per cent. was anticipated³. The earnings were subject to a number of curious provisos. It was stipulated in the "Articles" that none but "actuall trading merchands" might become shareholders⁴. When cloth had been produced, the cost of production was noted, and to this was added a proportion for profit on the capital of the company. Then the bales were distributed amongst the members by lot at the prices so arrived at. By confining the membership in this way, the New mills company was midway between the true joint-stock and the regulated types of organization. It was, in fact, a body in which the members were a regulated company, as retailers, and

¹ *Vide supra*, pp. 4, 7.

² *E.g.* the East India company, Carlile's planting company, the adventurers for Lands in Ireland, the Hudson's Bay company, the Royal Fishery company—*vide infra*, II. pp. 92, 229, 242, 344, 374.

³ *The Records of a Scottish Cloth Manufactory at New Mills, Haddingtonshire* (1681–1703), edited W. R. Scott (Scot. Hist. Soc. 1905), pp. lvii., lxxxiv.–lxxxix.

⁴ *Ibid.*, p. xc.

a joint-stock one, as manufacturers. Though in the early history of the East India company, the system of commodity-divisions had resulted in a somewhat similar form of constitution, no trace of such a combination is discoverable in England in the later part of the seventeenth century¹. In fact, the evidence points to the contrary conclusion, since there are frequent notices of public sales of the products of the chief London manufacturing companies. The profit of the New mills company being a fixed ratio to the value of the whole production, it was provided that no dividend should be paid in the first three years and only 5 per cent. thereafter for a like period. After six years, the funds available were to be dealt with by first providing for depreciation, secondly interest at 5 per cent., thirdly the rent of the factory, and fourthly a bonus in addition to the 5 per cent. already deducted. After seven years shareholders were at liberty to withdraw the capital they had subscribed².

Turning from new companies to those already founded, the period from 1672 to 1681 was one of great progress, except in the case of the Royal Fishery undertaking, which had suffered from the want of an adequate capital. An effort had been made to obtain funds in 1677 and in the following year the House of Commons appointed a Committee to consider proposals for the revival of the industry³. About 1680 the company sold all its remaining property; and an unincorporated company made a further attempt, but found the want of skill of the English fishermen rendered success impossible. This body therefore urged that the Navigation Act should be relaxed in its favour, so that Dutch fishers and salters might be employed⁴. At this time a small company was attempting to revive whaling, though indications were not wanting that this venture was not likely to succeed⁵.

The joint-stock companies, engaged in foreign trade, had experienced ten years of good fortune. The East India, the African and Hudson's Bay undertakings had each made considerable profits, though the last-named body does not appear to have paid any dividends⁶. The African

¹ In 1700 there was an isolated case of a glass company paying dividends in glass, but in this industry wages were paid in the commodity produced—*vide infra*, III. pp. 112, 113.

² *Records of a Scottish Cloth Manufactory*, pp. lxxxix., xc. The reason for making a dividend of 5 per cent. a charge, prior to the rent, was that one of the promoters, Sir James Stanfield, owned buildings where a cloth-making business had been carried on before the Restoration, which he was anxious to let. Cf. *Ibid.*, pp. 2, 3 (note), 151 (note).

³ *Vide infra*, II. pp. 372, 373. Writing about 1676, Yarranton offered anyone, who could recover him 1s. in the £ of his subscription, all the remainder of it—*England's Improvement by Sea and Land*, p. 17.

⁴ State Papers, Domestic, James II., v. 150.

⁵ *Vide infra*, II. p. 75.

⁶ *Ibid.*, II. p. 231. The stock in 1682 realised 350.

company, on receiving its charter in 1672, had to sink most of its capital in re-establishing its forts and factories, so that until the end of 1675 none of the profits were divided. In the six years from 1676 to 1681, 70 guineas per cent. were paid¹, and the stock sold for 245. The East India company was in a position to take advantage of the wave of prosperity from the beginning; and, for the first time since 1617, its aggregate dividends, calculated in terms of the rate per cent., were largely in excess of those distributed by the rival Dutch organization. From 1672 to 1682 the latter paid 166 $\frac{2}{3}$ per cent.², while in the same period the English company divided altogether 380 $\frac{1}{2}$ per cent., of which 100 per cent. was in stock, $\frac{1}{2}$ per cent. in damaged calico, and the remaining 280 per cent. in cash³. Comparing these two groups of dividends, from the point of view of the total profit distributed, it is to be remembered that the capital of the Dutch undertaking⁴ was larger than that of the English one; and, taking account of this fact, it is noteworthy that the latter had the advantage in the aggregate amount of profit divided, as well as in rate per cent.

This alteration in the relative positions of the two bodies is reflected in the quotations of their stocks. In 1670-1 the price of Dutch East India stock was no less than five times that of the shares in the English company⁵. On the outbreak of war in 1672, the quotation of the former fell from 570 to 400⁶, and in 1679, more than a year after peace had been made, the stock fetched 422⁷, and 434 in 1680⁸. At this date, the actions of the English company were steadily rising; and, before the end of the year, 300 was reached, whence the price advanced to 460 in 1682, prior to the payment of the stock dividend of 100 per cent. The frequency of references to the quotations of shares in the East India company, not so much in the mention of actual prices but in general terms of the rise or fall of the stock, shows that, at this period,

¹ *Vide infra*, II. pp. 21, 33. These distributions, being made in guineas, realised close on 75 per cent.

² G. C. Klerk de Reus, *Niederländisch-Ostindischen Compagnie*, Appendix VI.; Anderson, *Annals of Commerce* (edited by David MacPherson), 1805, IV. p. 488.

³ *Vide infra*, II. p. 178.

⁴ The original capital of 6,449,588 fl. 4 st. was reduced in 1664 to 6,440,203 fl. 6. 8. It was increased to 6,440,200 fl. in 1691—A. E. Sayous, *Le Fractionnement du Capital social de la Compagnie Néerlandaise des Indes Orientales* in *Nouvelle Revue Historique de Droit Français et Étranger*, 1901, p. 622.

⁵ *Vide supra*, p. 284.

⁶ State Papers, Domestic, Charles II., CCCII. 13; *Calendar*, 1671-2, p. 65. Klerk de Reus notices a quotation of 250 in 1672, but without giving any authority for it—*Niederländisch-Ostindischen Compagnie*, p. 178.

⁷ *Diary, Life and Times of Charles II.*, edited by R. W. Blencowe, London, 1843, I. p. 65.

⁸ *London Gazette*, No. 1534, July 29, 1680

transactions were numerous and that they aroused the interest of thoughtful observers.

The doubling of the capital, reckoned as paid up, by the East India company in 1682 constitutes a landmark in the evolution of the joint-stock organization¹. As long as the capital was divided into "portions" or shares, any appreciation of the property was reflected mainly in the dividend. As yet there was no instance of the distribution of bonus shares from the reserve fund. The fact that the nominal capital consisted of stock on which there was only £50 per cent. paid up made it natural for the court to decide to extinguish the liability, rather than to make a dividend of 100 per cent. in cash. Another inducement in the same direction—and a powerful one—was the absence of liquid resources for such a payment.

At this period, the financial position of the company was one of some difficulty. In 1667 it had left itself without working capital. Undoubtedly the wisest course would have been to have attracted more capital from the public. For several reasons, indicated elsewhere², this method was not adopted, and it became necessary to provide funds from the profits. By 1678 the assets (subject to allowance for liabilities) were valued at nearly 1½ millions, or more than four times the paid up capital at that date³. In the following year, the company had not sufficient cash in hand to pay its debts when due. At this point the financial situation was complicated by other considerations. Owing to various causes, there was a vigorous agitation against the company⁴, and it was thought that this might be met, in part, by increasing the capital. At first it was proposed to call up the outstanding 50 per cent. of the £739,782. 10s. nominal capital, but it was eventually decided to fix the stock, reckoned as paid up at this sum, by crediting each shareholder with the bonus necessary to make his adventure fully paid. Undoubtedly the least advantageous scheme was adopted. While the company had assets (after providing for liabilities) of more than twice the capital as re-arranged in 1682⁵, its financial condition was not satisfactory. The free capital was too small; and, in another respect, the position was most insecure. The borrowings of the company were a species of striving towards the modern debentures⁶. But, as yet, the sums, received on loan, were repayable at short notice, and therefore these bonds closely

¹ *Vide infra*, II. pp. 144, 145.

² *Ibid.*, II. pp. 144-7.

³ *Ibid.*, II. p. 139.

⁴ *Ibid.*, II. pp. 135-43.

⁵ *Ibid.*, II. p. 147.

⁶ The loans of early companies were known as "bonds." These obligations are not to be confused with the modern bearer bond. The bonds, issued by English companies in the seventeenth century, were all registered, as is shown by the case of Mrs Brocas against the Russia company, *vide infra*, II. p. 59.

resembled the obligations of a banker, who kept a very small cash-reserve. Moreover, there was a certain insecurity in the legal position, and it had already been openly stated that, since the company was not established by act of Parliament, its bonds were in a precarious condition¹. It follows then that, during a crisis involving any considerable disturbance of credit, the company would almost inevitably be compelled to suspend payment. Curiously enough such an episode occurred a few months after the paid up capital had been doubled. This crisis, which took place in the latter half of the year 1682, had its origin in the state of politics at the time and constituted a stage in the events which resulted in the *quo warranto* proceedings against the City of London. The Lord Mayor, Sir John Moor, had incurred much hostility by his action, in the interest of the Court party, at the disputed election of sheriffs in June 1682². According to the account of John Houghton, the opponents of Moor decided to obtain revenge by engineering a run on one of his associates, who was a banker³. It was found impossible to confine the withdrawals within the area originally planned, and several bankers failed, and one, named Addis, absconded. At this stage, "everybody thought it best to secure their own and ran with open mouth on all the bankers for money, thinking it better to let it lye dead a while in their chests than to run a hazard of trusting such, who, for ought they knew, might do as Mr Addis and some others near him had done⁴." The East India company was affected by the run and that at a most unfortunate time, since, there being no cash available, money was required to fit out a fleet of 30 ships for the coming season. Instead of 3 per cent. on loans⁵, 5 per cent. and 6 per cent. was offered, with the additional attraction "of good turns to be done by the company for the lenders into the bargain." Still the demands for payment were much in excess of the loans that could be raised, and it was necessary to suspend payment for a period of three months⁶.

¹ Anderson, *Annals of Commerce*, III. p. 60.

² Burnet, *History*, II. pp. 332-6; Maitland, *History of London*, pp. 473-7.

³ This run may have been connected with the Rye-House Plot. The conspirators had planned to make "a sudden push" on the bankers and then "to borrow" the funds remaining in the possession of the goldsmiths on the security of the public faith—*A True Declaration of the Horrid Conspiracy against the late King*, 1685, p. 44; *Copies of the Informations...relating to the Horrid Conspiracy*, 1685, p. 58.

⁴ *Collection of Letters for the Improvement of Husbandry and Trade*, by John Houghton, 1681-3, I. p. 148.

⁵ At this period the Dutch company was also able to borrow at 3 per cent.—De Lannoy et H. V. Linden, *Histoire de l'Expansion coloniale des Peuples Européens—Néerlande et Danemark*, pp. 345, 346.

⁶ Houghton, *Coll. for Improvement of Husbandry and Trade*, I. p. 149; *A Brief Historical Relation of State Affairs*, by Narcissus Luttrell, Oxford, 1857, I. pp. 210, 223, 244.

The crisis of 1682 was not a serious one, except for bankers and the foreign trading companies. The latter for some years had been subject to a series of organized attacks, which externally appear to resolve themselves, on the one side, into a dispute between the regulated and joint-stock companies and, on the other, into a controversy concerning the merits and demerits of the woollen and oriental trades respectively. In reality, the roots of the whole discussion strike deeply into the basis of English commerce, as it had developed almost since the Restoration, and the statement of the ultimate point at issue requires a brief mention of several tendencies both in international trade and in domestic politics, as well as certain elements in the existing condition of the companies of both types.

When England made a separate peace with Holland in 1674, leaving that country still at war with France, it was only to be expected that British industry should benefit at the expense of that of the two contending powers. The cloth trade, especially, experienced a great stimulus, and, in all the woollen-producing districts, there was marked activity, which lasted until after the peace made between France and Holland in 1678. The beginning of the slackening of trade resulted, somewhat paradoxically, from this very activity. Much of the carrying trade of Holland had fallen to English ships—thus partially balancing the converse tendency during the Civil War—and many French commodities were re-exported from England. A number of different interests united in disapproving of the growth of imports from France. The extreme mercantilists were alarmed at the unfavourable balance shown in this branch of commerce. Those who supported the ideal of plain living, condemned a group of imports which consisted mainly of luxuries¹. Politicians of "the Country Party" hoped to off-set the dependence of Charles II. on Louis XIV. by an attack on French trade, while cloth manufacturers believed that the limitation of the imports of French linens would increase the demand for their product. In April 1675 the weavers of Essex, Gloucester, Devon, Somerset, Suffolk, Hampshire and Coventry joined in petitioning the House of Commons² against the excessive imports from France, and treatises were produced supporting their contentions³. The effect of this agitation was the act of 1678,

¹ *Reasons to prove that the True and only cause of want of Money is the preponderance of Imports*, by J. H. (1673) (State Papers, Domestic, cccxxv. 264); *An Account of the French Usurpation upon the Trade of England*, 1679 (Brit. Mus. $\frac{1102. h. 1}{15}$); *England's Wants: Or Several Proposals probably beneficial to England*, 1685, in Somers' *Tracts* (1751), xiv. p. 63.

² *Journals of the House of Commons*, ix. p. 327.

³ *The Ancient Trades Decayed Repaired Again*, by R. L'Estrange, 1678, p. 1.

prohibiting trade with France¹, which resulted in a considerable dislocation in the foreign trade of England. At this date also, the peace on the Continent resulted in strenuous efforts on the part of the Dutch, more especially, to regain part of the trade, lost during the war. By 1680 there were isolated complaints of distress amongst the clothiers. It was stated that formerly 160 persons had maintained themselves at this trade in Reading, and that the number had fallen to only 12, while pauperism had increased to such an extent that the relief of the poor cost the town £1,000 a year. The total export of broad cloths by the Eastland company had been 20,000 pieces, now it was only 4,000². The citation of the case of this company was an unfortunate one, since its circumstances were wholly exceptional. It was universally admitted that this trade had suffered from the Navigation Act; and, since 1672, it appears that the company had not adjusted itself to the change, which had made admission open to all on the payment of a moderate fee³. The other regulated companies (amongst which that trading to Russia is to be included since about 1669⁴) were in far from a satisfactory position. The Levant company was distracted by the dissensions of its members⁵, and the Merchant Adventurers were involved in financial difficulties. The creditors of the latter appealed to the House of Lords in 1674; and it shows how much way had been made by the joint-stock principle, that a "leviation" was ordered, as if there had been a capital on which it could be assessed. When the mistake was pointed out, the levy was fixed on the cloth exported⁶. Owing to its indebtedness, the company was unable to afford financial assistance to Charles II., and, for this or other reasons, it received scant courtesy from the Crown. Sir William Temple, writing to the company on March 26th, 1675, says that "being a very plain man, I will deal so with you in this matter, and tell you that I believe the discouragements, given to your company in England by the liberties allowed to the interloping trade," accounted for certain difficulties experienced at Dort. He adds significantly—"but I have not told you what I suspect, which is that, in the present state of your company in England, it will be very difficult to restore it to its former state here⁷."

It was the Levant company which suffered most, or which made at

¹ Cunningham, *Growth of English Industry and Commerce in Modern Times*, 1903, p. 463.

² *Britannia Languens*, London, 1680, in McCullough, *Tracts on Commerce* (1856), pp. 400-3.

³ Anderson, *Annals of Commerce*, III. p. 35.

⁴ *Vide infra*, II. p. 67.

⁵ *Vide supra*, p. 269.

⁶ *Reports Hist. MSS. Com.* IX., Part II., p. 47.

⁷ *Works*, IV. pp. 97, 98.

least the greatest outcry, when it began to experience the renewed competition of the French and the Dutch, within the area assigned it. No doubt, the volume of its trade was considerably reduced, but such reduction was not from the normal average, but from an exceptionally high level, dependent on a concatenation of causes unlikely to be repeated. Just as the import of cattle from Ireland¹ and that of commodities in general from France had been prohibited, the one in the interests of English stock-raising and the other on behalf of the cloth trade, so now the foreign trade to tropical countries was attacked in order to keep the woollen industry at high water mark. The East India trade, particularly, prejudiced the Levant company, by importing Eastern commodities at a relatively cheap rate, and for this reason it was chosen for special attack. The main points in the controversy are recapitulated elsewhere², but what is of interest is the comparison of the regulated and joint-stock types of organization. It was admitted by both sides that some kind of monopoly was required, and the chief point in dispute was whether such a privilege should be granted to a regulated or to a joint-stock body. The Levant company had undoubtedly the best of the argument, when it charged the other with reckless finance, though its own operations of this kind were not above reproach. On the other hand, the East India company was able to show that the exaction of the test of being "a legitimate merchant" from intending members was illiberal. Though many of the statements, circulated by the Levant company, to the discredit of the joint-stock organization were reproduced *verbatim*, during a debate in the House of Commons (1680), some were inexact and misleading³. It was asserted that the stock had become "engrossed" by a few members; whereas, according to a return made in 1682, about one-third of the 500 proprietors owned £1,000 stock⁴. The East India company, like the Royal African undertaking, was able to make a strong case for the sinking of a large capital in concessions, forts and factories; and, it was shown that where such "dead stock" became considerable, the joint-stock type of organization was preferable to the regulated. It is surprising that the Levant company did not lay more stress on the arbitrary acts of its rival in the suppression of interlopers, since the practice of the seizure of ships and

¹ *A Treatise of Wool and Cattel*, London 1677 (Brit. Mus. $\frac{1102 \cdot h \cdot 1}{9}$); *Correspondence between Sir Henry Bennet and the Duke of Ormonde in Miscellanea Aulica* (1702), pp. 413-26.

² *Vide infra*, II. pp. 135-43.

³ *Hist. and Proceedings of the House of Commons*, I. pp. 410, 411.

⁴ State Papers, Domestic, Charles II., cccxxviii. 104. In the previous year there had been 133 court meetings of which Sir Josia Child, the governor, had attended 122 and Thomas Papillon, the deputy-governor, 123.

cargoes in the East made the company in effect both plaintiff and judge in the same cause. On the whole, while the controversy had brought to light some abuses and imperfections of the East India company, the attack succeeded only in the detection of these, and the whole discussion tended to show that the joint-stock form of organization was possessed of several advantages for the prosecution of a trade to distant countries.

The failure of the Levant company to reduce the operations of the East India adventurers left the former face to face with a marked reduction in the volume of the trade of its members, as compared with the prosperous times before 1678. By 1686 the woollen industry was in the throes of a crisis which was produced partly by the falling off in the purchases of the Levant company. This depression was experienced most in the districts which produced for export. Sales, made in Gloucester to this company, had declined by 75 per cent., those of Coventry by 33 per cent. The clothiers of Suffolk and Essex complained that their trade was "almost undone," and that they were unable to employ numbers of poor families, which had recently come to depend on this industry for support. At Coventry some hundreds of workers were ruined, and the city was described as being reduced to a deplorable condition, through the decline in the production of cloth¹. In some of the parishes in Gloucester one-fifth of the whole annual value was distributed in poor-relief, owing to multitudes of workers being unable to subsist². The effect of the depression in the woollen trade would have been of comparatively little consequence, since it was confined to certain districts, had it not been co-existent with a credit-crisis in London. The corporation there had founded a bank in 1683, which was intended to make advances on approved mercantile bills. When the news of Monmouth's rebellion reached the City in the summer of 1685, there was a run on the banks, and this one failed. Many traders, whose credit was involved in the crash, were imprisoned for debt³; and such failures involved the suspension of merchants and others who were sureties for those who had fallen into difficulties. It was calculated that the losses from the latter cause exceeded those from theft, robbery and fraud⁴. From the City the great bankruptcy extended, in the words of a contemporary writer, "like a plague," to the country, where, for some time, the land lay desolate and untilled⁵. A distressing characteristic of the crisis was the locking up of funds, held by the Corporation in trust for widows and orphans, in the general suspension.

¹ State Papers, Domestic, James II., v. 120, 121, 124-128, 166.

² *Ibid.*, v. 117.

³ *Ibid.*, III. 134.

⁴ *A Caution against Suretiship*, by R. A., 1688, p. 11. ✓

⁵ *The Happy Future State of England*, by P. P., London, 1688, p. 257.

According to the "case," drawn up by those who had suffered most, the Rebellion, though it "failed to subvert the government of the nation, did strangely shake that of this City and blasted the credit of our bank and so overthrew in a moment the fortune and the hopes of the poor widows and orphans." The calamity was too great to be relieved by private charity, since "a vast number" of those dependent on the fund "had been reduced to the utmost necessities of poverty¹."

¹ State Papers, Domestic, James II., III. 135; *A Dialogue between Francisco and Aurelia, two unfortunate Orphans of the City of London*, 1690, in *Harleian Miscellany* (1746), IV. p. 556; *vide infra*, III. pp. 54, 55.

CHAPTER XVI.

FOREIGN TRADING COMPANIES, 1682 TO 1697.

AFTER the crisis of 1682 the course of English commerce was subjected to the play of opposing forces, some of which tended towards the maintenance and even to an increase of the previous prosperity, while others pointed towards a contraction of trade. Amongst the latter allusion has already been made to local crises in the cloth trade of certain districts in 1686¹; and, in addition to this, there was a prevalent political unrest, which had been a contributory cause of the crisis of 1682 and which produced the disturbance of credit in London in 1685 and the more serious panic of December 1688. An eddy of the general political agitation led to the dissolution of one of the old established companies, namely that for planting the Bermudas. Unlike most of the other colonizing bodies, this organization had continued to exist after the land had been divided. It followed almost inevitably that, after the lapse of nearly three-quarters of a century, the shareholders in the company had ceased to own land in the islands; and, not only so, but as time went on much of the property, which had been set apart at the beginning of the enterprize for the support of the government, had been alienated. It is obvious that, when this stage was reached, the company had survived the age of usefulness and that its interests and those of the planters would tend to be divergent. By 1680 the shareholders in the company were a small group of traders in London, who had entered the undertaking simply as a promising speculation. The company, as then constituted, imposed levies on the goods produced in the islands, and this occasioned much dissatisfaction amongst the inhabitants there. Still the company remained in a comparatively secure legal position, being established by charter. But in the years 1683 and 1684, through political reasons, the Crown was attacking its own charters and it was decided to take advantage of this movement by the institution of *quo warranto* proceedings. Eventually these succeeded, and the company came to an end in 1684².

¹ *Vide supra*, p. 309.

² *Vide infra*, II. pp. 295-7.

While the trend of acute political disputes was an adverse factor in diminishing confidence, in another respect the tension between King and Parliament was not altogether unfavourable, in so far as it kept taxation low and caused the revenue to be administered with economy. Up to 1682 the debt had been very greatly reduced, and in the six years from 1682 to 1688 the same process was continued. The principal and interest, repaid during this period, was in excess of the borrowings by close on £325,000¹. The interest paid from November 5th, 1688, to September 29th, 1689, was £20,207²; so that, if the average annual payment be estimated roughly at £30,000 for each of the six years, there would be a nett reduction of debt of about £150,000³.

The rehabilitation of the finances was aided by the improvement of trade and a more careful supervision of the Treasury, so that the settled revenue (including Hearth-money) for the three years 1682 to 1685 was almost exactly equal to the sum originally estimated⁴. This was a fortunate circumstance since the special Parliamentary grants were inconsiderable, and the average total revenue (exclusive of loans) was only £1,266,000, while the annual expenditure (exclusive of repayments of principal and interest) was on an average £93,000 a year less; or in other words the cost of the services, the government and the Court was defrayed from the settled revenue.

James II. started his reign by an endeavour to reduce the allocation for pensions, and he received a grant from Parliament for discharging those that remained outstanding at the death of Charles II., some of which had been in arrear since 1684⁵. However in 1687-8 this item was again as large as it had been at the end of the previous reign. The payments for secret service were also great. Moreover, there can be little doubt that the services had been neglected, and it was believed that a larger outlay was necessary. To meet this increased charge, additions were made to the existing indirect taxes and new duties were imposed on French goods (in lieu of the prohibition of 1678) and on

¹ *Vide infra*, III. pp. 534-41. The loans and interest paid in 1686-7 and 1687-8 were respectively £270,105. 0s. 2d. and £126,234. 8s. 4½d.

² Lansd. MS. (Brit. Mus.) 1,215, f. 52.

³ Principal and Interest, repaid Lady-day 1682 to

Lady-day 1688	...	...	...	...	...	£1,509,772	16	1
Sums borrowed during same period	...	...	...	...	...	1,185,811	15	11
Difference	...	...	...	...	...	323,961	0	2
Of which it is estimated there was paid for interest	...	...	...	...	...	180,000	0	0
Principal repaid on balance	...	...	...	...	...	£143,961	0	2

⁴ *Vide infra*, III. pp. 532, 533.

⁵ Pensions due to Christmas 1684 £340,314. 17s. 8½d. Pensions per annum £184,608. 0s. 11d.—State Papers, Domestic, James II., IV. 160.

sugar and tobacco. The effect of these changes was to raise the total revenue (exclusive of loans) to an average of over £2,040,000, for the three years 1685-8, or an increase of about 60 per cent., of which one half is to be attributed to the new duties. After making allowance for the fact that the receipts of the Post Office (which had been settled on James II. when he was Duke of York) are now included, this leaves a substantial gain in the income of the branches of the settled revenue, which averaged close on £1,475,000 a year¹.

Another cause tending towards an increase of prosperity was the influx of Protestant refugees, which had begun before the Revocation of the Edict of Nantes in 1685, but which was more marked during and after that year. It was estimated that these immigrants had brought with them valuables, tools and implements valued at three millions, but the addition they made to the immaterial wealth of England, Scotland and Ireland was of very much greater importance². Prior to this period England had made relatively slow progress, as compared with France and Holland, in the development of those manufactures and industries, requiring a high degree of technical skill. Therefore, apart from shipping and the cloth trade, there seemed to be a want of inventiveness and adaptability to changing conditions, and it is not improbable that it was a consciousness of this fact which produced much of the restrictive legislation of the period. Measures of this type were based on the ideal of encouraging the old-established trades at the expense of others of more recent date, which, from past experience, it may have been feared would result in failure. Remarkable evidence of the comparative backwardness of Englishmen in mechanical inventiveness during the first three-quarters of the seventeenth century is to be gleaned from a study of the petitions for patents, many of the applicants being foreigners; and, in other cases where a native-born subject proposes to found an industry new to England, he states either that he had discovered the secret of the process by his observations abroad or he was prepared to import foreign artisans. So great was the superiority of method amongst the most advanced nations of the Continent that the Navigation Act was relaxed in favour of adventurers for whale-fishing, and a similar relief was sought for the salting of herring³. In Scotland, as shown elsewhere⁴, the immigration of skilled workers was encouraged by substantial privileges, promised by repeated acts of Parliament and of the Privy Council.

In view of these circumstances the ultimate importance of the coming of the Huguenots can scarcely be over-rated⁵. What had been

¹ *Vide infra*, III. pp. 532-39.

² Anderson, *Annals of Commerce*, III. p. 96.

³ *Vide infra*, II. pp. 75, 374, 375, 377.

⁴ *Ibid.*, III. p. 128.

⁵ Francis Hutcheson speaks of "the ingenious artisans, who, persecuted in

formerly learned at second, or at third hand was now taught by experts in the different trades, and in many cases it was not necessary to re-create the more delicate machines since these were brought from France by the refugees. Moreover, following close on the Huguenot immigration, there was an influx of Dutchmen, who came in the train of William III. in the first couple of years after the Revolution and who shared with the French the honour of introducing a remarkable variety of trades, new to England, during the epoch of immense activity which will be described to some extent in the ensuing chapter.

The activity in extending the home-trade between 1682 and 1688 followed several well-defined lines. Through the aid of French workers¹ and under the high duties levied on French imports, efforts were made to start the manufacture of white paper, linen (which as yet had been a failure²) and the fashionable material known as "à la modes" or lustrings in 1685-7³. These undertakings were all developed by important joint-stock companies. Then there were a number of patents for minor industries such as the sawing of wood, the tanning of leather, for pumping engines and for producing a composition resembling marble⁴. Details are too scanty to determine the character of the invention of Thomas Smith, a cabinet-maker, who applied for a patent for "a gilded speaking head or the improved echo⁵."

Mention has already been made of the attempt to establish a bank under the auspices of the corporation of London, and about the same time there emanated from the Council a scheme for insurances on lives, based on the tontine principle, which Houghton condemned as not giving "a penniworth for a penny," since the majority of the subscribers were certain to lose their principal⁶. The success of Barbon's Fire insurance office, which had been carried on by a company since 1680⁷, had tempted the City to promote a municipal department for the same class of business about 1682 which was closed soon afterwards,

their own country, flee to ours for protection; they instruct us in manufactures which support millions of poor, increase the wealth of every person in the State and make us formidable to our neighbours"—*An Inquiry into the Original of Our Ideas of Beauty and Virtue*, p. 117; *Lex Talionis* in *A Collection of the Writings of the Author of the True-born Englishman*, London 1703 [the unauthorized ed. of Defoe's *Tracts*], p. 262.

¹ In at least one case these industries, new to England, were started by French Roman Catholics—*vide infra*, III. pp. 73, 75.

² Houghton, *Coll. for Improvement of Husbandry and Trade*, *ut supra*, I. p. 111.

³ *Vide infra*, III. pp. 64, 74, 90.

⁴ State Papers, Domestic, Petition Entry Book, LXXI. pp. 10, 275, 299, 302.

⁵ *Ibid.*, Petition Entry Book, LXXI. p. 319.

⁶ Houghton, *Coll. for Improvement of Husbandry and Trade*, *ut supra*, I. p. 147.

⁷ *Vide infra*, III. p. 375.

and in 1683 the Friendly Society was established on the mutual principle. There was keen competition between the two remaining undertakings, and in 1688 a *modus vivendi* was arrived at, by order of the Privy Council, under which one office might issue policies for three months, while the other might not; in the next quarter the latter had the monopoly of business and so on¹. During the same period the benefits of marine insurance were greatly extended, and in 1686 there were many underwriters of this class of risk². Following on the previous inventions for the preservation of the hulls of ships was another, relating to marine transportation, which aimed at providing drinking water for the crews by a process of extracting the salt from sea-water. This invention, which was protected by a patent, was worked by a company described as *the Patentees for making salt water fresh and wholesome*. The revenue of the partners was calculated on the basis of any ship, which used the apparatus, paying a royalty of 6d. per ton³. Finally, as showing the progress made in adding to the conveniences of life, the formation of another company may be noticed, which aimed at street-lighting by means of oil lamps. This venture, like that last mentioned, was formed on the basis of a patent, granted to an individual for reflectors ("convex lights"), and was carried on by an unincorporated company (1684), which was sometimes described as *the Convex Lights Company* or as *the Proprietors of the Convex Lights*⁴.

These various developments are typical of the activity of trade during the years immediately prior to the Revolution; and, when conjoined with great gains in foreign commerce, this period on the whole was one of prosperity. For this reason the authors of works on political arithmetic speak of the year 1688 as the culmination of the good times and as representing the maximum of national wealth during the seventeenth century. Comparing the estimates of Petty (1664-5) with those of Gregory King and Davenant for 1688, the national dividend of England and Wales had increased by between 2 millions and 4 millions, an advance of from 5 per cent. to 10 per cent., while the total capital had risen by 70 millions, an improvement of no less

¹ *Vide infra*, III. p. 376.

² State Papers, Domestic, Entry Book, LXXI. p. 231.

³ *The Conditions upon which the Patentees for making salt water fresh and wholesome intend to conclude with such persons that please to agree with them for the use of this Invention; Salt-Water Sweetned or a true Account of the Great Advantages of this New Invention both by Sea and by Land* [by R. Fitzgerald], London, 1683; *Fons Perennis, a Poem on the Invention of making Sea Water fresh*, by E. Arwaker, London, 1686; *Answer to Mr Fitzgerald's State of the case concerning the Patent for Making salt water fresh*, by William Walcott, Lond. 1693 (*Brit. Mus.* $\frac{712. m. 1}{24}$).

⁴ *Vide infra*, III. p. 52.

than 28 per cent. The difference between the ratios of increase in the income and the capital is accounted for by the fact that Petty's estimate of the latter is six times the income, while King's calculation works out at seven and one third years' purchase. This difference is roughly proportionate to the decline in the rate of interest which was comparatively high from 1660 to 1667, very low in 1681 and moderate from 1683 to the summer of 1688. The following statement gives a comparison of the different estimates:

Estimates of the National Income and Wealth of England and Wales¹.

	Income		Wealth	
	Petty 1664-5 £s millions	King 1688 £s millions	Petty 1664-5 £s millions	King 1688 £s millions
Real Property ...	8	13	210	234
Labour ...	32	30·5		
Personal Property ...			40	86
	40	43·5	250	320

Probably these estimates would require considerable criticism, if they were to be used as adequate statements of the total wealth or the total income, but they will serve the purpose of the present enquiry as a rough expression of the progress of the nation between the Restoration and the Revolution. Moreover the same tale of expanding resources is confirmed by other considerations. Though there were many complaints of the growth of luxury, there is every reason to believe that in England and Wales the community was not only spending less than its income but that an increasing sum was saved for new production. In 1688 this surplus was calculated to have been about £2,400,000². Then there had been a remarkable expansion in foreign trade. The total imports and exports in 1662-3 may be estimated at about 7½ millions, or £1. 5s. per head³. In 1688 the figures (also for England and Wales) had risen to close on 11½ millions for the whole recorded external trade, or £2 per head⁴. The progress made may be summed up in the following table of percentages:

¹ *Natural and Political Observations on the State of Great Britain*, by G. King, Edin. 1810, pp. 47-9; Davenant estimates the income in 1688 at 44 millions, and the total wealth at 322 millions—*Essay upon the Probable Methods of Making a people Gainers in the balance of Trade*, London 1700, p. 95 (*Works*, II. p. 266); also *Works*, I. p. 375.

² Davenant, *Works*, II. p. 276.

³ *Vide supra*, p. 266.

⁴ Exports England and Wales in 1688

Exports England and Wales in 1688	...	...	...	£4,310,000
Imports ...	...	...	...	7,120,000

£11,430,000

—Davenant, *Works*, II. p. 270; King, *Natural and Political Observations* (1810), pp. 1-42.

Comparison of various statistics 1662-5 and 1688 showing the increase per cent. (England and Wales).

The national income	1664-5 and 1688 + 5 %	to 10 %.
„ „ savings	1664 „ 1688 +	100 %.
„ „ wealth	1664-5 „ 1688 +	28 %.
Total foreign trade	1662-3 „ 1688 +	50 %.
Foreign trade per head	„ „ „ +	60 %.

These results tend to confirm the conclusion, already arrived at on other grounds, namely that in this period the main source of the admitted prosperity was the growth of foreign trade and that there may have been stagnation, or even a slight decline in the woollen industry; while, at the same time, new industries were being founded, but as yet these were in a rudimentary stage of development.

Further light may be obtained as to the success of foreign trade from the history of the companies engaged in it; and, for the purpose of the present enquiry, it will be advisable to isolate the results achieved by these undertakings from other contemporary industries. Such separation is the more necessary, since, between the crises of 1682 and of 1696-7, there is an interesting phenomenon which affects the position of the two groups—those engaged in the foreign and the home trades respectively—in a different manner in each case. Until the crisis of 1682 each previous disturbance of this kind produced an appreciable effect on practically every company in existence at the time. In the same way the effects of the crises from 1685 to 1688 may be traced on companies concerned chiefly in the home trade, while those whose business lay abroad were unaffected (except in the case of the Levant company which may have suffered during the crisis of 1686). Therefore the three joint-stock bodies formed for foreign trade—the East India, the Royal African and the Hudson's Bay companies—were not materially influenced by the domestic crises, and all of them experienced a large degree of prosperity, until the pressure of the war with France began to be felt about the end of 1691. This progress was not uninterrupted, but the checks came from events in the foreign countries with which each of them was connected, as for instance the disputes between the Hudson's Bay company and the French in 1682 and 1686 and that of the East India company with Aurangzeb in 1688 and 1689¹.

On the whole the ten years from 1682 to 1691 were the most successful in the history of English foreign trading bodies. The East India company was able to justify the distribution of a stock-bonus by maintaining its dividends on the increased capital; and, in 1690 and 1691, the Hudson Bay and African undertakings followed its example

¹ *Vide infra*, II. pp. 150, 231.

by issuing scrip dividends, the former giving its shareholders one of 200 per cent. and the latter one of 300 per cent.¹

The dividends paid in cash were large, in the case of the East India company very large. From 1683 to 1692 inclusive the latter organization paid 200 per cent. on the doubled stock or 400 per cent. to an original adventurer². Apart from the bonuses in stock, the African company divided at least 49½ per cent.³ and the Hudson's Bay company 275 per cent.⁴ Thus the East Indian undertaking distributed an average annual dividend of 40 per cent. on its original capital, the Hudson's Bay company one of 27½ per cent. also on its original capital and the African paid at least an average of 5 per cent.

While such a statement represents a convenient summary of results, it is likely to be misleading in several respects. Once any business has been established for a considerable period, the nominal capital is of theoretical, rather than practical interest. What is important is the relation of the earnings to the price at which a share in the undertaking can be purchased. Fortunately quotations of East India stock are sufficiently numerous between 1682 and 1690 for an estimate to be formed of the course of prices. The lowest recorded is 122½ and the highest 500, both being for the stock in its new form. Further, there are many references to transactions in the stock which are not dated and so could not be included in the table printed elsewhere⁵. Curiously enough most of these quotations are 300 exactly; and, since 300 occurs several times in those returns which are dated and at considerable intervals of time, this quotation may be taken as a kind of index of the price from 1682 (after the doubling) to 1690 (just before the last dividend of this series was paid). On this basis, the payment of 200 per cent. during eight years on £100 nominal, costing £300, would yield an average annual return of about 8½ per cent. Deducting what may be considered to have been the usual interest on a first class security in England at the time, there would remain between 2 per cent. and 3 per cent. as a provision for insurance against depreciation of the capital invested—a provision which later events showed to be sadly inadequate.

A further insight into the position of the company may be obtained by selecting for observation the outcome of the investment in what may have been a few representative cases. Suppose, for instance, an original adventurer sold his stock either at 500 (the highest recorded price) or at 300 (a frequent price from 1683 to 1690), allowance would have

¹ *Vide infra*, II. pp. 21, 26, 232, 237.

² *Ibid.*, II. p. 178.

³ Probably the dividends of the African company were more than the amount mentioned in the text—*ibid.*, II. p. 34.

⁴ *Ibid.*, II. pp. 231, 237.

⁵ *Ibid.*, II. p. 178.

to be made for the stock-bonus he received and also for the other dividends. If the original payment, on allotment, be deducted from the price realized plus the dividends, the balance cannot be fairly taken as profit, since provision must be made for the interest that would have accrued on the capital, if placed in a first class security. For the whole period from 1660 to 1688 such interest may be averaged at about 6 per cent., and for the sake of simplicity compound interest may be neglected. From these data the following result is reached :

The Profit made by an original Adventurer in the East India Company who sold in 1685 at 500.

1658-1660 To £200 stock,		1685 By £200 stock, fully	
£100 paid	£100 0 0	paid, at 500	£1,000 0 0
1682 To £100 credited as		By Dividends (1662-82)	440 10 0
paid (Bonus) ... ..	.....	
1685 To Profit	1,340 10 0		
	<hr/> 1,440 10 0		<hr/> 1,440 10 0
Allowance for interest on		By Gross Profit brought	
£100 for 25 years at		down	1,340 10 0
6 %	£150 0 0		
Balance, being nett profit	1,190 10 0		

Thus the fortunate adventurer, who sold at 500, made a nett profit on his capital after allowance for interest of $1,190\frac{1}{2}$ per cent. Further, though this high price was not maintained, the fall was almost made good by the increase in the dividends, for by a similar calculation it will be found that the original adventurer, who sold in 1690, would have made a profit of $1,060\frac{1}{2}$ per cent. Even greater gains were made by a few (of whom Sir Josia Child was said to be one) who purchased stock at the reduced prices of 1665. There may be added, in special cases, certain contingent advantages which accrued from a large holding in the company, such as profit on India goods, or the opportunity of obtaining lucrative employments for the nominees of an important member, or again a small additional income could be obtained from transactions in the company's loans on bottomry¹. Since these sources of additional gain were contingent, no exact valuation of them can be made, and the determinable nett profit for an original adventurer (or his representatives) up to 1690 may be fixed at about 10 times the original investment. This was the maximum, since, after 1690 the price of the stock fell in a remarkable manner, being below par from 1694 to 1699 inclusive. The fall in the value of the stock produced a change in the position of the investor, which may be illustrated again by a reference to the account of an imaginary original adventurer and secondly to that of a purchaser in 1690 at 300. Even supposing that the former had

¹ *Vide infra*, II. p. 159.

realized at the lowest recorded price—33½ in 1698—his profit would remain over five and a half times the original investment, after allowing interest thereon at 6 per cent. to 1690 and thereafter at 8 per cent. The case of the investor of 1690 was very different. If he sold at the lowest point, his loss, including interest, would have been no less than 136 per cent., while in the more normal case of his selling at 50 (which was a frequent price) say in 1696, it would have been 114 per cent. Though this form of statement is in reality the most accurate, it is paradoxical in so far as it tends to suggest that a call was made, whereas this was not so. The difficulty arises from taking account of the rate of interest on the capital invested, and the situation may be described in another form in the following terms. Suppose that A. and B. have each of them £300 seeking investment in 1690. A. disposes of his capital in some form of loan on the best available security. In 1696 his capital might be supposed to be intact, and he would have obtained an aggregate return of at least £144, so that on this transaction, neglecting compound interest, he would be worth £444. On the other hand, suppose B. invests his £300 in £100 East India stock, he would receive one dividend of £50 (1691) and he would have obtained only another £50 by selling his stock or a total of £100 in all, as against A.'s £444, making the real loss of B. 114 per cent.

The causes of the decline of the value of East India stock are of very great interest; but, before investigating these, it is necessary to deal with the position of the investor in the African and Hudson's Bay companies, as far as the materials available will afford data. In neither case are there any fairly complete records of prices before 1692, so that the enquiry is confined to the account of an original investor. The prices of Hudson's Bay stock are incomplete. Quotations exist for the years 1692 to 1700. By means of a calculation similar to that made in respect of the East India company, an original adventurer, who sold at the middle prices of 1692 and 1694, would have made a nett profit of nearly seven and three quarter times his capital in the former case and of five and a half times his original investment in the latter by 1694¹. Taking

1670	To Cost 100 Stock	£100 0	1692	By sale £300 Stock	
1690	„ Bonus 200 „	.....		at 237½ %	£712 10
	„ Gross Profit ...	907 10		„ Dividends on £100	
				at 220 %	220 0
				„ Dividends on £300	
				at 25 %	75 0
					£1,007 10
		£1,007 10		By Gross Profit ...	907 10
To allowance for interest					
on £100 ...	136 0				
„ Balance (nett profit)...	771 10				
	£907 10				£907 10

the African company in 1692 (the year of the last dividend for a considerable time and also the year after the crediting of the stock bonus of 300 per cent.) and again in 1696, at the middle prices in each case, the original adventurer would have made a nett profit of at least 79 per cent. in 1692 and he might have made a nett loss of 45 per cent. in 1696¹.

These results are useful as showing the fate of different classes of investors in the important foreign trading companies towards the end of the seventeenth century, and they are of the greatest importance in forming a judgment on certain events during the great Parliamentary struggle from 1689 to 1698. It may be premised that the Hudson's Bay company was in a class by itself. Circumstances had forced it into being the pioneer of the contest with France, and it had no difficulty in obtaining an act of Parliament². Therefore, having in addition a charter from the Crown, its legal position at this time was perfectly secure. The East India and African companies had charters, but not acts of Parliament, though curiously enough it was the Lords and not the Commons which had prevented measures, promoted by each, from becoming law³.

Externally, and in its final results, the action of the House of Commons at the beginning of the reign of William III. was directed towards the control by Parliament of grants, made by the sovereign relating to foreign trade. In reality, the true inwardness of the situation depended on the relation of the companies to the party politics of the time. The African company had been the creation of James II., and it was natural that the Parliaments, held after the Revolution, should view it with coldness. The East Indian undertaking had also become involved in the party-struggle through the action of Sir Josia Child, who, as governor, had committed the company to the support of James II. Hitherto the court had kept out of politics as far as possible, and the change of policy was bitterly opposed by a minority of the stockholders, amongst whom was Thomas Papillon. Child was able to carry the day, and the dissentient members were forced to sell their stock. After the Revolution they had their revenge, since the party, to which they belonged, had a majority in the House of Commons. The only difficulty was the discovery of the means by which they could make the best use of their victory. The different moves in the complicated financial duel are detailed elsewhere⁴, and it only remains to sketch the progress of the struggle in broad outlines. Many of the ejected members

¹ A further calculation in which no allowance is made for interest on the original investment will be found *infra*, II. p. 28.

² *Vide infra*, II. p. 231.

³ *Ibid.*, II. pp. 21, 119.

⁴ *Ibid.*, II. pp. 145-65.

of the company had become interlopers, and they managed to force the company to purchase their ships and goods at a bonus of 25 per cent. and to pay them half the profit made¹. The object of this manœuvre was to exhaust the liquid resources of the company, which had already been depleted by the payment of large dividends. It is usual (and indeed almost inevitable apart from specific evidence to the contrary) to regard this contest as one between the rich corporation on the one side and a group of independent merchants of moderate means on the other. As a matter of fact the contrary was the truth of the matter. The minority, who had sold their stock, realized at prices not below 300; and it is probable that with reasonable prudence they would have made as much or more by the use of their capital as those, who retained their shares, received in dividends. By no stretch of language can these people be described as "poor interlopers," when they retired from the company having made the large nett profit of upwards of 1,000 per cent., or in some cases of even more. Nor were they conscientious advocates of a less restricted foreign trade, since Papillon, their leader, had written in defence of the monopoly and advocated the formation of a new company with equally extensive privileges. The abrogation of the monopoly was the ostensible end aimed at by opponents of the existing company, but it may well be doubted whether it was their main objective. Traces are discoverable of a most ingenious secret scheme, which had two branches—the one to force Child from his position in the management of the company by limitation of the votes that might be cast by any individual; and then, either by Parliamentary agitation or other means, to reduce the price of the stock to a low level, or alternatively to compel the company to make a new issue of stock at par. Obviously, it would be a dextrous manipulation of the situation if men, who had sold out at 300, could re-purchase at 100 or below it. It should be carefully noted that these two parts of the scheme were mutually interdependent. Forcing the stock to a low price would be useless, unless the Whig faction could control the voting. That nothing should be wanting in the organization of the opponents of the company, they formed themselves into a syndicate in 1692, and adequate funds were provided for commencing their campaign².

The first stage in the battle for the control of the East India company resulted in an apparent victory for the opposition-faction. It had almost everything in its favour, ample resources in hand and the support of a large body of capital behind it. With feeling on the whole on its side and means to purchase votes in a venal House of

¹ *A Collection of the Debates and Proceedings in Parliament in 1694 and 1695 upon the Enquiry into the late Briberies and Corrupt Practices*, 1695, p. 11.

² *Vide infra*, II. p. 150.

Commons¹, while many members of the syndicate were also members of the Committee appointed to enquire into the East India trade, it was easy to use the debates and resolutions in Parliament as a most effective device for "bearing" the stock of the company. The campaign succeeded in reducing the price and in forcing the committees to receive a new subscription at par in 1693 (which brought the total nominal capital to very nearly one and a half millions), although the average price of the stock during the previous year had been 145. While the apparent victory remained with the syndicate, its operations had failed in one important respect. The allotment of the new stock, created in 1693, was to be made proportionately to the total applications; and, in spite of the complicated provisions regulating the holding of stock and voting rights², it is clear that the control of the undertaking would rest with the old members. In all other respects, even after the most lavish bribery which probably exceeded that revealed at the enquiry of 1695, circumstances were against the policy advocated by the party which supported Child. It was found impossible to avoid the regulation of the company by the State, and everything was against the supporting of the market in the company's stock. The declaration of dividends, that were probably not earned, and the interruption of trade through the war tended to depress the price, while the covering of bribes by dealings in the stock would also have tended to reduce quotations³.

It is plain that the failure of the opposition to the company in an essential element in its plan of attack made it necessary to have recourse to the second and more doubtful scheme, and it was resolved to secure the complete overthrow of the original company which was to be replaced by a new one. This scheme was far from tending towards a freer trade with India. The idea of the syndicate was to form another monopolistic company, but to change the membership. The illiberal spirit of the House of Commons is shown by its arbitrary treatment of the Darien undertaking, which, though it needed modification for the protection of existing interests, scarcely merited the severity that would have been accorded to a treasonable plot⁴.

The formation of the Scottish undertaking was a further blow to the company which had barely survived the attack on it in the Commons,

¹ While the bribery of the company was exposed at the enquiry in 1695, that of its opponents was not made public but it is frequently alluded to by contemporary writers, e.g. *The Anatomy of Exchange Alley in Chronicles and Characters of the Stock Exchange*, by John Francis, London, 1849, pp. 380, 381. Even clearer evidence is afforded by the raising of funds by the syndicate as early as 1692, which were not required for any legitimate purpose.

² *Vide infra*, II. p. 158.

³ *Ibid.*, II. p. 159.

⁴ *Ibid.*, II. pp. 214, 215.

and its opponents succeeded in the same year (1695) in obtaining an enquiry into its corrupt practices in 1693. As the result of these adverse factors, the stock had fallen as low as 50 at the end of October 1695, and it was clear that the legal and financial position was precarious. The second stage of the Parliamentary struggle was reached in 1698, when, by act of Parliament, the monopoly of the East India trade was conferred on those who subscribed to a loan of £2,000,000 to the State and who might either trade independently (as in a regulated company) or might form a joint-stock and be incorporated, or finally some subscribers might adopt the first method and others the second. The original company, which was henceforth distinguished from the new organization as "the Old Company" or "the London Company," had sufficient influence to obtain the insertion of a clause in the act whereby corporations might subscribe to the two million loan; and, by availing itself of this provision, it remained entitled to a certain proportion of the India trade. Thus, in the short space of ten years, the Old Company had experienced a complete change in its status. In 1689, like the African company, it had been in the habit of licensing the ships of owners, who were not members, to trade within the limits assigned to it, subject to certain conditions and to the payment of a royalty. Ten years later its vessels were in effect "permission-ships," which were under the general orders of an outside body; so that the company had fallen from its former dominance to an inferior position, entitled only to about one-sixth of the trade, though still able to act as a corporation.

Owing to the intricacy of the capital accounts of the three foreign trading companies, something remains to be said, in order to present a summary, showing how they were affected by the issues of bonus stock and by the subscriptions made by the East India and African undertakings. In 1689 the total amounts paid in by members of these ventures was under half a million¹. Owing to the doubling of the stock of the East India company in 1682, the aggregate *nominal* capital (1689) was over £850,000. Then came the stock dividends of the African and Hudson's Bay companies (1690-1) augmenting the nominal capital, which thus became upwards of 1½ millions². Therefore, at the end of 1691, the capitalization was about two and a half times the payments made by the members. In 1692—the first year in which there are quotations for the shares of all three companies, at

¹ Treating the small amount of stock issued by the African company to the creditors and shareholders in the previous undertaking as cash—*vide infra*, II. pp. 19, 32, 177, 237.

² *Ibid.*, II. pp. 26, 232.

middle prices in each case—the valuation on this basis is slightly more than an increase of 10 per cent. on the nominal capital :

*Particulars of the Capitalization of Foreign trading companies,
1689-92.*

	Paid in cash	Nominal Capital 1689	Nominal Capital 1692	Valuation at middle-price of 1692
East India Company	369,891	739,782	739,782	1,068,985
Royal African „	111,100	111,100	444,400	213,312
Hudson's Bay „	10,500	10,500	31,500	74,812
Totals	491,491	861,382	1,215,682	1,357,109

In 1693 both the East India and African companies made issues of stock which brought the whole nominal amount to close on £2,150,000, representing actual payments of £1,300,000 and worth at the middle market-prices of 1694 less than £1,435,000 or a depreciation of one-third of the nominal value :

*Particulars of the Capitalization of Foreign trading companies,
1693-4.*

	Paid in cash	Nominal Capital 1694	Valuation at middle-price of 1694
East India Company ¹	1,118,109	1,488,000	1,212,720
Royal African „	183,440	625,250	168,175
Hudson's Bay „	10,500	31,500	52,762
	1,312,049	2,144,750	1,433,657

¹ At the time of the subscription of the new capital, that already in existence was £744,000, which was doubled. It appears that the difference between the capital in 1689 and that immediately before the new issue was paid for in cash.

CHAPTER XVII.

THE BOOM OF 1692-5 IN THE STOCK AND SHARE MARKET.

ONE of the most striking differences between modern conditions and those which obtained in the seventeenth century is the comparative absence of interaction between different branches of commerce in the earlier period. A remarkable instance of this tendency is to be found in the depression in the foreign trades from 1692 to 1695, while there was very great activity in the formation and development of undertakings for home and colonial industries. This activity moreover is of special interest; since, for the first time, it might be described as Imperial rather than English—Scotland, Ireland, Wales and the colonies falling within the scope of the movement—while, in the main, the development took place through the joint-stock form of organization.

Several causes contributed towards the boom which resulted. The earliest in point of time was one which, being in many respects accidental, stood outside the general historical evolution, though it produced an assignable portion of the joint-effect. This was the salving in 1688 by William Phipps on behalf of a company formed in London, of the treasure from a Spanish plate ship, which had been lost in 1646 near Hispaniola. The return to the adventurers was about one hundred times the respective sums they had subscribed¹. This was a wonderfully successful result; and while the total bullion recovered was about equal to that divided to the shareholders in Drake's voyage round the world, the yield per cent. was twice as great in the later expedition². It is almost unnecessary to add that many other treasure-seeking companies were formed and that, as long as the news of the success of the original expedition was fresh, the shares commanded considerable premiums. Particulars can be recovered of ten of these companies during the period before 1696, and more may be urged in their favour than might at first sight be anticipated. It is true that as a general rule two cases of outstanding profits in the same kind of venture rarely occur at one period;

¹ *Vide infra*, II. pp. 485, 486.

² Divisions to shareholders—Drake's expedition 4,700 per cent., Expedition 1687-8 10,000 per cent.

but, in justification of the speculators of 1690, the great advance of invention must be remembered. There were several patents for early types of the diving-bell and one which seems an anticipation of the outfit of the modern diver, while in another case it was proposed to raise the fragments of a wreck by means of a system of levers and grappling irons, known as "the sea-crab." Many of these patents were developed by means of companies, which however were dependent on a second group of undertakings, which received a grant from the Crown of the wrecks in a certain area. The latter class of company either arranged with the syndicate owning a diving-engine on the basis of a royalty, or proceeded to effect salvage from any wrecks they discovered by less scientific means. In only one case was a charter of incorporation obtained—that of *the Governor and Company for raising wrecks in England*—the remaining companies were founded on the patent or royal grant to an individual, or to an individual and his partners, and were established by a deed of settlement¹.

Probably at any period the success of the Hispaniola treasure-hunt would have occasioned the formation of similar ventures, but since there was no special reason for this discovery having happened at the time that it did, the concurrence of these schemes with a number of others is an accidental, rather than an essential element in the movement. Including wreck-recovery and foreign trading companies, at the end of 1695 there are known to have been close on 150 in existence, of which two-thirds were English and the remaining third Scottish. The companies formed up to the Revolution only amounted to about 15 per cent. of the total in each country. In England there were the three foreign-trading companies², the Mines Royal, the Mineral and Battery Works³, the New River⁴, the York-buildings⁵, and the Shadwell Water-works⁶, the Fire-insurance company⁷, that for making Salt Water fresh⁸, the Convex Lights⁹, the White Paper Makers¹⁰, the Royal Lustring company¹¹ and lastly a provincial water supply undertaking at Newcastle¹². In Scotland, besides the Newmills company¹³, there was another for the production of cloth¹⁴, the Wool-card manufactory¹⁵, a Soaperie¹⁶, two Sugaries¹⁷, a glass¹⁸ and also a fishing company¹⁹.

¹ *Vide infra*, II. pp. 486-9.

³ *Ibid.*, II. pp. 404, 405, 427.

⁶ *Ibid.*, III. pp. 418, 419.

⁷ *Ibid.*, III. pp. 375, 376.

⁹ *Vide infra*, III. pp. 52, 53.

¹¹ *Ibid.*, III. p. 73.

¹³ *Ibid.*, III. pp. 138-50.

¹⁵ *Ibid.*, III. pp. 176-9.

¹⁷ *Ibid.*, III. pp. 133-5.

¹⁹ *Ibid.*, II. pp. 377, 378.

² *Ibid.*, II. pp. 21, 160, 233.

⁴ *Ibid.*, III. pp. 25, 26.

⁶ *Ibid.*, III. pp. 32, 33.

⁸ *Vide supra*, p. 315.

¹⁰ *Ibid.*, III. p. 64.

¹² *Ibid.*, III. pp. 34, 35.

¹⁴ *Ibid.*, III. p. 159.

¹⁶ *Ibid.*, III. pp. 150, 151.

¹⁸ *Ibid.*, III. p. 189.

Thus the companies formed between 1688 and 1695 constitute upwards of 85 per cent. of the total at the later date; indeed, if the companies already established in England together with the treasure-seeking enterprizes be deducted, the new foundations amount to nearly 75 per cent. of the whole.

The coincidence of depression in foreign trade and immense activity in new schemes for the development of Great Britain and the colonies is to be explained by the direct and indirect effects of the war with France. There can be little doubt that, through this contest, British foreign commerce suffered very severely. Up to 1692 it is recorded that the French had captured no less than 3,000 British ships¹; which, according to another account, were valued at 15 millions². In 1696-7 the total exports and imports were just over 7 millions³, thus showing a slight reduction on the figures of 1662-3 and a decline, as compared with 1688, of about 39 per cent.⁴ Similar results are arrived at by investigation of the revenue derived from the Customs. Comparing the financial year 1687-8 with 1691-2, 1692-3, 1693-4 the annual falling off was close on 30 per cent.⁵ It follows that, at the beginning of the war, there was a large portion of the capital, formerly used in extra-British trade, which was perforce withdrawn. For a short period, namely from the time that the shipping trade was seriously interrupted until the great cost of the war began to demand more and more of the resources of the nation, this floating capital was available for investments at home that were considered promising. But the interruption of trade with France suggested the establishment of factories to produce goods, previously imported from abroad—an experiment which was the more likely to succeed owing to the conjunction of technical skill and adequate capital. The war was also responsible for the formation of armament companies and for banking and finance undertakings. The latter group came into existence towards the end of the period of activity when the strain of the struggle began to be felt. Then the animated dealings in the shares of these companies turned attention to other home investments, such as mining, water-supply and miscellaneous ventures. Generally speaking, the majority of the companies started in this period were designed to establish either an

¹ Anderson, *Annals of Commerce*, III. p. 134.

² *An Essay upon Projects* [by Daniel Defoe], 1697, p. 5.

³ *State of the Trade of Great Britain*, by Sir Charles Whitworth, London, 1776.

⁴ 1662-3 total foreign trade ... 7 $\frac{3}{4}$ mil. £s.

1688 „ „ „ ... 11 $\frac{1}{2}$ „ „

1696-7 „ „ „ ... 7 „ „

⁵ *Vide infra*, III. pp. 536, 537; *The Manuscripts of the House of Lords 1693-5*, pp. 60-92.

industry new to the country, or to improve an existing one by a process not in ordinary use.

It is fortunate that the whole course of this period of excitement has been chronicled with great care and fulness by competent contemporary observers. In March 1692 John Houghton began to circulate his newspaper, which was intended to record the industrial progress of the time¹. After a leading article or essay, the rest of the publication was devoted to commercial intelligence, amongst which was included a list of the current quotations of the shares of companies. Though there had been previous occasional references in the press to the price of India stock, this series of prices, compiled by Houghton, was (as far as is known) the first regular record of the fluctuations of the share-market. It begins with the prices of only eight securities—which are entered as follows—"India, Guinea, H[udson's] Bay, Paper, Linnen, Copper, Glass, Wreck²." Within a month the number of shares was nearly doubled and by May 1694 the names of 52 companies were included. Subsequently twelve other undertakings were added, so that, altogether, he mentions 64 concerns in the shares of which there were active dealings. It is not to be concluded, however, that prices are recorded in every case. When the list was greatly extended in 1694, prices are printed opposite the names of some ten companies, the shares of which fluctuated from week to week; and a note was appended that subscribers, who wished to possess a record of transactions in the remaining shares, could have these written in by hand in their copies at a small extra charge.

Houghton's list as revised in 1694 had two peculiarities which are of some interest. He had a special notation for indicating the status of the companies—one, which was incorporated by charter, had its name printed in black-letter type; another, founded on a patent, but without incorporation, was printed in italics, and the remainder, which had neither charter nor patent, in ordinary type. The study of such a record, intended for temporary use, presents certain difficulties; since, in order to save space, Houghton described the companies, not under the lengthy titles by which they were established, but by those current amongst the brokers in the Exchange. These names seem to differ even more widely from those in official use than the "Coras," "Doras," or "Bags" of the end of the nineteenth century. For instance, the following are a few of the cases where there is a considerable diversity between the correct title and that employed by Houghton:

¹ *Collections for Improvement of Husbandry and Trade* 1691/2 to 1703.

² Reproductions of three types of Houghton's list will be found on p. 351.

Names of Companies.

As printed in Houghton's List

The title in the charter or (where there was no charter) that used by the Company

Copper—*Searn*= The Governor and Company of the Copper Miners in England¹—(founded by Sir Joseph Herne).Saltpetre—*Dockwra*= The Governor and Company for casting and making guns and ordnance in moulds of metal².**Leather*= The Company for making imitation Russia-leather³.

In other cases Houghton's nomenclature is liable to mislead a modern reader. Under the head of "Engines" he gives, "Overal, Poyntz, Night, Lofting." The first entry relates to a company formed to exploit the diving machine invented by John Overing or Overal, the second to another for Captain Poyntz' draining pump⁴. One is inclined to assume that the third undertaking was a syndicate to develop some engine, brought out by a person named Night; whereas, on the contrary, the invention in question was the burglar-alarm of John Tyzack⁵. Finally, finding that in this case the reference is to a "night-engine," not to one invented by someone named Night, the natural inference would be that the last company, under this heading, was connected with a "lofting-engine." Once more the clue proves misleading, the correct title of the company being *the Company for the Sucking-Worm Engines of Mr. John Loftingh, Merchant, at Bow Church Yard, Cheapside*, which was intended to quench fires⁶. In view of these and similar difficulties, connected with Houghton's list, it will be advisable to re-classify the undertakings which he mentions with the addition of others drawn from an anonymous pamphlet—*Angliæ Tutamen*, and an *Essay on Projects* ascribed to Defoe.

Leaving on one side for the present the companies for the recovery of treasure from wrecks, the most convenient method of classification will be to collect together the various undertakings, which either came into existence or which received an impetus from the diversion of capital from foreign trade and the other circumstances arising out of the war. First of all, there was a group of companies which aimed at producing commodities previously imported, the supply of which had now ceased or which was precarious. The White Paper Makers and Royal Lustring companies received a great stimulus⁷, and an undertaking was promoted to consolidate several of the mills which had long existed in England for

¹ *Vide infra*, II. p. 430.² *Ibid.*, II. p. 473, III. p. 109.³ *Ibid.*, III. pp. 119, 120.⁴ *Ibid.*, II. pp. 482, 487, 488.⁵ *Ibid.*, II. p. 483.⁶ *Ibid.*, II. p. 481.⁷ *Ibid.*, III. pp. 66, 67, 75.

making the common brown-paper¹. A "Blue Paper Company" was in reality a venture for the manufacture of wall-papers². A serious effort was made to produce the damask and fine linens, hitherto imported from France, and companies were established to carry on this industry in England, Ireland and Scotland, while another organization was incorporated for the production of both linen and paper in the Channel Islands³. Then there were two glass-making companies—the one for plate-glass and the other for bottles⁴. The title of *the Society for Improving Native Manufactures so as to keep out the Wet* is self-explanatory⁵, and another venture of the same kind was *the Company for making "German Balls" to preserve Leather from damp*⁶. Finally the same causes led to a revival of English-tapestry making, and in 1691 the Royal factories (established in 1619) were transferred to a company⁷.

The effect of the war was apparent in the formation of armament companies. There were three created to manufacture powder⁸, two to produce ordnance⁹ and another, the charter of which had a curious history, for making "hollow sword blades"¹⁰. To this group may be added *the Governor and Company for smelting down Lead with Pit and Sea Coal*, since the promoters proposed to cast the lead they smelted into shot and bullets¹¹.

A third group of undertakings, connected with the war, were the banking and finance companies. The Bank of England came into existence through the provision of a loan to the government¹². The Million bank (1695) had relation to a previous state-debt, which was in the form of short term annuities, some of the holders of which joined together with a view to using the aggregate credit, so obtained, in founding a financing business which would continue to yield an income after that of the annuities had terminated¹³. Then the scarcity of money produced the land bank schemes, which proposed to establish "a fund of credit" on a non-metallic basis¹⁴. There was yet another bank, known as the Orphans', which arose out of the efforts of the City of London to remedy its previous mismanagement of the provident fund in its care. This bank, however, in which shares were sold to the public, was entangled in the speculative management which had caused the collapse of a former undertaking, started by the same promoters, and it was soon wound up¹⁵.

¹ *Vide infra*, III. p. 71.

³ *Ibid.*, III. pp. 71, 90, 99, 164, 165.

⁵ *Ibid.*, III. p. 120.

⁷ *Ibid.*, III. p. 118.

⁹ *Ibid.*, III. p. 109.

¹¹ *Ibid.*, II. p. 442.

¹³ *Ibid.*, III. pp. 275-7.

² *Ibid.*, III. p. 72.

⁴ *Ibid.*, III. p. 111.

⁶ *Ibid.*, III. p. 120.

⁸ *Ibid.*, II. pp. 472, 473.

¹⁰ *Ibid.*, III. pp. 109, 435.

¹² *Ibid.*, III. pp. 204, 205.

¹⁴ *Ibid.*, III. pp. 246-52.

¹⁵ According to the author of the *Angliæ Tutamen* "it had not the shadow or

This movement extended to Ireland, since about this time several merchants at Dublin proposed to establish a public bank there¹.

The other side of the great activity lay in the development of strictly localized industries. Mining began to require more capital, and it, too, gained by the progress of invention through the recovery of several flooded workings by means of pumping-engines. Up to 1695 there were three coal companies², six for copper mining and smelting³, the same number for developing lead-mines⁴, three for salt⁵, and four for alum, *lapis calaminaris*, tin and antimony⁶. Amongst these are included the two Elizabethan societies for the Mines Royal and the Mineral and Battery Works, the former now appearing in Houghton's list as "the mines royal of Cumberland and Carolina," while in several cases the rights of these bodies were safeguarded in charters granted prior to 1693 when an act, changing the legal position of mines, where there were veins of the precious metals, was passed⁷.

Attempts were also made to revive industries, which had formerly been favoured. Thus there was a group of fishing companies, which included a new whaling or Greenland undertaking⁸, a revival of the society for the Royal Fishery⁹ and organizations for the taking of cod at Newfoundland and for the seeking for pearls. Another case of the revival of bodies, similar to those that had been popular in earlier periods, was the establishment of land and colonizing companies, amongst which are mentioned the Pennsylvania, New Jersey and Tobago¹⁰ plantations, and to this group may be added the syndicate for Poyntz' draining engine which was said to have added to the quantity of arable land previously available¹¹.

The boom of 1692-5 brought into existence several new water-supply companies, and in three cases very long-established undertakings were transferred from private or municipal to joint-stock management. There were the London Bridge water works, dating back to 1582, which enterprise was turned into a company before 1694¹². The City conduits had been in the hands of the Council since their inception, and these were greatly improved by the expenditure of capital in making reservoirs and laying new mains¹³. In 1692 another water company was founded, which

substance of real good," in fact the "conduct of the Chamber had been so bad that the City remained without credit," pp. 13-16.

¹ Public Record Office, Dublin, Schedule of Petitions to Parliament, II. p. 672; *Reasonable Proposals for a Perpetual Fund or Bank in Dublin* [1696].

² *Vide infra*, II. pp. 461, 462.

⁴ *Ibid.*, II. pp. 440-4.

⁶ *Ibid.*, II. pp. 427, 475, 476, III. p. 417.

⁸ *Ibid.*, II. pp. 75, 379.

¹⁰ *Ibid.*, III. pp. 416, 417.

¹² *Ibid.*, III. pp. 11, 12.

³ *Ibid.*, II. pp. 431, 436-9.

⁵ *Ibid.*, II. p. 470.

⁷ *Ibid.*, II. pp. 404, 443.

⁹ *Ibid.*, II. p. 375.

¹¹ *Ibid.*, II. p. 482.

¹³ *Ibid.*, III. pp. 12, 13.

is specially noteworthy. It was known as *the Hampstead Aqueducts*, and the property acquired was one with an exceedingly lengthy history, since it was first authorized by an act in favour of the City in 1546. It is of interest to note that this company (which still exists in its corporate capacity) brought together William Paterson, the founder of the Bank of England, and John Holland, the leading promoter of the Bank of Scotland¹. Other water undertakings owned by companies were described as the Southwark, the Mill-bank and Marchmont's Water-works². As is shown elsewhere³, there was keen competition between these different bodies not only as to areas, but also in the engineering methods adopted. The New River, the City Conduits, and the Hampstead Aqueducts professed to supply spring-water, flowing to the consumers through gravitation. On the other hand, the converse method was adopted by other companies of forcing up Thames water by means of pumping devices. The York-buildings undertaking obtained power by using horses to work the pumping apparatus⁴. The London Bridge company availed itself of power arising out of the peculiar construction of the bridge, for the generation of which water-wheels were employed⁵. In the undertaking founded by Marchmont and others the idea was similar, the fall of water for driving the wheel being obtained from the sewers⁶.

Another group of companies was that engaged in manufactures connected with iron and the other metals. There was for instance *the Governor and Company for making Iron with Pit-coal*⁷, another for the production of Venetian steel⁸, one for gilding metals, known as *the Dipping company*⁹, and a fourth "for lacquering after the manner of Japan"¹⁰.

Lastly comes a group of miscellaneous undertakings, including a sawing company, and those for running a stage-coach, for making whale-bone whips, for Russia leather, and the device, known as the night-engine, already mentioned¹¹.

These companies were formed in London and the scope of their operations applied to the whole Empire, except Scotland. North of the Tweed there were similar ventures on a joint-stock basis, such as a powder company, a bank (the Bank of Scotland, 1695), glass-works, a white-paper undertaking, mining and draining companies¹². Moreover,

¹ *Vide infra*, III. pp. 4, 5.

³ *Ibid.*, III. pp. 13, 14, 25-7.

⁵ *Ibid.*, III. p. 11.

⁷ *Ibid.*, II. p. 467.

⁹ *Ibid.*, III. p. 108.

¹¹ *Ibid.*, II. p. 483; Houghton, *Collections for Improvement of Husbandry and Trade*, London, 1691-1703, No. 156, July 26, 1694; *Post-boy*, July 16, Sept. 3, 1695.

¹² *Vide infra*, III. pp. 183, 186, 187, 189, 193, 253.

² *Ibid.*, III. pp. 32, 33.

⁴ *Ibid.*, III. p. 419.

⁶ *Ibid.*, III. p. 33.

⁸ *Ibid.*, III. p. 109.

¹⁰ *Vide infra*, III. p. 119.

owing to the want of industrial development, it had been found possible to obtain privileges for certain manufactures which were new there, though long established in England, such as four broad-cloth companies, one for wool-cards, another sail-cloth and two more for ropes and cordage¹. The combination of sugar refining and the distillation of rum was highly successful, and three of these works had been started². In England soap-boiling and whaling were distinct industries; but in Scotland these were both carried on by the same company; and, after it had abandoned the Greenland trade, another company was established to prosecute the latter enterprise³.

In order to obtain a quantitative expression of the importance of the joint-stock movement during the six years succeeding the Revolution, it would be desirable to frame a statement of the total capital of the 150 bodies of this kind, which were in existence up to the end of 1695. It is almost inevitable that sufficiently complete materials for such a calculation are wanting. There was no registration of financial details, and many of the ventures (especially in Scotland) were semi-private concerns. Further, where information relating to the capitalization has survived, it is often fragmentary. Sometimes the number of shares in a company is recorded but not the nominal value of each, or again there may be a statement of the total shares into which the capital was divided and their amount, but in some cases all these were not offered for subscription. Elsewhere the only particulars obtainable consist of an estimate of the funds required to establish a certain industry, and it may have been that the amount actually provided was much less. Then, there were the cases of the old companies such as the Mines Royal, the Mineral and Battery Works and the New River. Though the original capital of the two Elizabethan societies is known, it is obvious that such figures are of no value for an estimate of the worth of the assets from 1690 to 1694⁴. Therefore, since information on this head is wanting at the later date, for the purposes of the present enquiry, these undertakings must be classed as those of which the capital is unknown. The New River company is in a different category. During three-quarters of a century it had been using income for developing and extending its property⁵, and therefore the most reliable estimate of the whole value, representing the capitalization of its earning power, would be that based on the price at which a whole share changed hands.

Taking then 137 joint-stock companies for home and colonial undertakings, in the shares of which at the end of 1695 there is known to have been dealings, the capital at that date, subject to the limitations

¹ *Vide infra*, III. pp. 159, 174-9.

² *Ibid.*, III. p. 136.

³ *Ibid.*, III. pp. 131, 132.

⁴ *Ibid.* II., pp. 387, 416-8.

⁵ *Ibid.*, III. pp. 25, 28.

mentioned above, is recorded or can be recovered in the case of seventeen in England and of seven in Scotland. It is certain that these twenty-four undertakings include all those with a very large capital; and, except in a very few cases, those with a very small capital are excluded. It remains to obtain some average for the latter undertakings, some of which must have had a very modest outlay for starting the business, while that of others was considerable. Amongst the latter may be mentioned one of the salt-petre companies which had five factories¹, and the City Conduits, the capital of which (after its amalgamation with the London Bridge undertaking in 1703) was £150,000². On the other hand, the average original expenditure of the treasure-recovery companies would be under £2,000 each, and it is difficult to see how the London to Norwich Stage-coach company or that for making whalebone whips could require a capital of more than a few hundreds. For these reasons, the average cost of establishing 73 companies in England is estimated at £5,000 each up to 1695 and in Scotland at £3,000 each to the same date. The following statement gives a detailed estimate of the capital of all the companies known to have been in existence in 1695:

Estimate of the Capital of Joint-Stock Companies 1695.

(1) *Companies—England and Wales, Ireland and Colonies*
(exclusive of those engaged in foreign trade)³

The New River Company—72 shares at £4,000 per share ⁴	...	...	...	...	...	£288,000
„ White Paper Makers of England (estimate of capital required) ⁵	...	...	...	...	...	100,000
„ Hampstead Aqueducts—capital paid up ⁶	...	...	...	...	...	12,000
„ Convex Lights Company ⁷	...	...	...	...	...	25,600
„ King's and Queen's Corporation for the Linen Manufacture in England—nominal capital £10,000, amount issued and paid up in 1695, exclusive of premium ⁸	...	...	...	...	...	3,400
„ King's and Queen's Corporation for the Linen Manufacture in Ireland—nominal capital £5,000—issued ⁹	...	...	...	...	...	2,000
„ Royal Lustring Company, exclusive of premium ¹⁰	...	...	...	...	...	60,000
„ Glass-Makers of London ¹¹	...	...	...	...	...	25,000
„ York Buildings Water-Works ¹²	...	...	...	...	...	4,800
Newcastle Water Company ¹³	...	...	...	...	...	3,500

£524,300

¹ *Vide infra*, II. pp. 473, 474.

³ For particulars of these *vide supra*, p. 325.

⁴ *Ibid.*, III. pp. 25, 26, 31.

⁶ *Ibid.*, III. pp. 5, 9.

⁸ *Ibid.*, III. p. 91.

¹⁰ *Ibid.*, III. p. 75.

¹² *Ibid.*, III. p. 419.

² *Ibid.*, III. p. 15.

⁵ *Ibid.*, III. p. 64.

⁷ *Ibid.*, III. p. 59.

⁹ *Ibid.*, III. p. 100.

¹¹ *Ibid.*, III. p. 111.

¹³ *Ibid.*, III. p. 35.

	Forward	£524,300
Company formed to develop the lead mines of Sir Carberry Price ¹ —4,800 shares from 1691–3 at 17		81,600
Company of Copper-Miners in England—700 shares sold at 57 ²		39,900
Company for making iron with Pit-coal—paid up ³ ...		10,500
Royal Fishery Company—paid up about ⁴		50,000
Company of Merchants trading into Greenland—paid up ⁵		40,000
Bank of England—60% called up on £1,200,000 ⁶ ...		720,000
Bank of Tickets of the Million Adventure—amount paid up ⁷		80,000
Total capital, paid up or taken as paid up of 17 companies	—	£1,546,300
Estimated capital of 73 companies at £5,000 each ...		365,000

(2) *Scottish Companies*⁸

Capital of the Scottish Royal Fishery company, the Glasgow Soaperie, Glasgow Sugarie, the Paper Manufacture, Bank of Scotland, Glasgow Rope company and Scots Linen Manufacture (all taken as paid up)	74,033
Estimated capital of 40 other manufactures at £3,000 each	120,000
	<hr/>
	194,033
Total paid up capital of 137 English, Scottish, Irish and colonial companies (exclusive of those engaged in foreign trade)	2,105,333
Nominal capital of three foreign-trading companies ⁹ ...	2,144,750
Total 140 companies (1695)	£4,250,083

It is not a little noteworthy that, out of a total capitalization of £4,250,083 amongst 140 companies, no less than £3,232,000 is to be assigned to six undertakings—the East India, African and Hudson's Bay enterprizes for foreign trade and the New River, the Bank of England and the Million Bank. The proportion of Scotland in the total is also worthy of attention.

If the foregoing estimate is well-founded, it is of value, not as an isolated statement, but in relation to the whole wealth employed in trade at the time. According to King the stock in shipping, forts, stores, goods, instruments and materials of England and Wales amounted to

¹ *Vide infra*, II. pp. 440, 443, 444.² *Ibid.*, II. pp. 432, 435.³ *Ibid.*, II. p. 467.⁴ *Ibid.*, II. p. 375.⁵ *Ibid.*, II. p. 379.⁶ *Ibid.*, III. pp. 206, 207.⁷ *Ibid.*, III. p. 277 (note).⁸ *Ibid.*, II. pp. 377, 378, III. pp. 131, 134, 166, 174, 183, 256; *Records of a Scottish Cloth Manufactory at New Mills Haddingtonshire 1681–1703*, ed. W. R. Scott (Scot. Hist. Soc. 1905), pp. xlvii. The capital of the Darien company is not included in this estimate since (though a charter was signed in 1695) the capital was not paid in.⁹ *Vide supra*, p. 325.

33 millions in 1688. The value of forts, save as built by a foreign-trading company, was not a mercantile asset, and on the other hand this total omits buildings used as factories or stores¹. Moreover, between 1688 and 1695, there had been a considerable reduction in this portion of the national wealth, occasioned by losses of ships and goods during the war and by the ensuing high taxation. Taking these various elements into account, the industrial wealth (exclusive of agriculture) of England and Wales in 1695 would probably be somewhat under 33 millions. Now the estimated nominal or issued capital of English and Welsh companies was over 4 millions or about 12 per cent. of the commercial investments of the country. The fact that the nominal capital of the foreign-trading companies was subject to a considerable depreciation must be allowed for; and, while some of the other companies' shares were above par, those of the rest showed a decline, so that on the basis of the market-prices of 1694-5 it seems possible that the investments in the 140 companies dealt in were considered to amount to about one-tenth of the wealth which was estimated to be employed in the home and foreign trade.

When the joint-stock system was the medium for directing so much of the commercial capital of England, it is worth enquiring with some detail how these companies were formed and organized. There can be little doubt that the pre-occupation of the government by the war tended to favour the establishing of companies, many of which acted as a corporation without seeking a charter—a course which, under other circumstances, would have attracted the attention of the law-officers of the Crown. As it was, no obstacle was placed in the way of those who wished to start any enterprize by means of a joint-stock, and it was left to the founders of each venture to prescribe the constitution under which it was to work. Houghton describes the manner in which a company was established for exploiting a new industry in the following terms—
 “When someone has thought of an art or invention or discovered some mine or knows or thinks of some new (or new manner of) way of trade, whereby he thinks a considerable gain may be gotten, and yet this cannot well, or not so well as otherwise, be carried on by a private purse, or if it could the hazard would be too great; he then imparts it to some friend or friends, who commonly consider or enquire of the learned whether it will stand good in law, and, if so, they contrive some articles for a constitution, whereof to give the first inventor a sum of money for his charge or some certain number of the shares or both is certainly and with good reason one of the principal articles. This done, the parties concerned

¹ The rent of business premises in London at this period was very low—*The First Nine Years of the Bank of England*, by J. E. T. Rogers, Oxford, 1887, pp. 15, 16.

let it be known and each brings in his friend, till all the shares be bought at such a price as stated, either presently or to pay down all the money (which is generally found to be the best and easiest way) or only some part which is often troublesome, one or other being backward of paying his quota¹." In some of the mining companies, the constitution had been settled before much development work was accomplished, and the right to mine in a certain area was divided in certain cases into 400 shares which were issued at prices varying from 10s. to 21s.² Subsequently calls were made as required.

In a few cases a charter was sought, either in the case of an important body, such as the Bank of England, in order to regularize its corporate character or, as in that of the White Paper Makers, to induce the subscription of capital³. Companies of medium size endeavoured to obtain incorporation for a variety of reasons. Sometimes special privileges, over and above those generally conferred by a patent for a new invention, were granted, as for instance in the case of the King's and Queen's Corporation for the Linen Manufacture, where the monopoly of certain processes was conveyed for ever⁴. As a rule existing interests were safeguarded in the charters. Thus the company for digging and working Mines by a Joint-Stock in England was obliged to make agreements with the society of Mines Royal⁵, and the Lustring company was subject to the inspection of the Weavers of London⁶. It often happened that a charter was required to free a joint-stock company from liability for debts, incurred by the promoters prior to its formation. This reason was urged openly by the shareholders in the company for Smelting Iron with Pit-coal⁷, and also in the application to the Scottish Parliament by the Linen Manufacture⁸.

In view of the controversy in Parliament concerning the East India and African companies, the facility with which acts granting or confirming monopolies were passed in England is remarkable. Not only was a Greenland company re-established, but the White Paper Makers, the Royal Lustring company, two water-works and the Droitwich rock-salt undertaking were invested with extensive privileges under act of Parliament⁹. Owing to the tendency of Scottish commercial policy, the Estates were always ready to extend the benefits of the act of 1681 to new or revived industries¹⁰.

¹ *Collections, ut supra*, No. 98, June 15, 1694.

² *Angliæ Tutamen*, p. 18.

³ *Vide infra*, III. p. 64.

⁵ *Ibid.*, II. p. 441.

⁷ *Ibid.*, II. p. 466.

⁹ *Ibid.*, II. pp. 379, 470; III. pp. 32, 65, 66, 77, 419.

¹⁰ *Ibid.*, III. pp. 128, 129.

⁴ *Ibid.*, III. p. 91.

⁶ *Ibid.*, III. pp. 74, 75.

⁸ *Ibid.*, III. pp. 165, 166.

The constitution formulated by the charters or deeds of settlement in England mainly followed the established model of a governor, deputy-governor and assistants. The number of the latter varied, but, as a rule, it was a multiple or sub-multiple of 12. It was 15 in the English Linen Corporation¹, 24 in the Saltpetre company and in the Shadwell water-works², 18 in the Guernsey Linen and Paper company³ and 12 in the Royal Lustring and Sword Blade companies⁴. There were a few exceptions. Both the company for the working and digging of Mines and the Glass-Makers had 20 assistants⁵, the Merchants trading into Greenland 16⁶, the company for smelting Iron with Pit-coal 14⁷, and the York Buildings company only 7⁸. In the Million Bank and the Hampstead Aqueducts (both of which were established by deed) there was a committee of management, consisting of 24 members in the former and of from 9 to 15 in the latter⁹. The use of the term, managers, shows a trace of Scottish influence¹⁰, and conversely many of the companies, working in Scotland, were organized on the English model. Finally, for the first time (after the exceptional use of the term by the Guinea company in 1618) the name of director displaces that of assistant—the former being used by the banks of England and of Scotland and by the Darien company, while the Royal Fishery society, when reconstituted in 1692, divided its 12 committees into 4 directors and 8 masters¹¹.

The qualification for the office of assistant, director or committee varied according to the size of the undertaking. In the Royal Lustring company it was 10 shares (£250)¹², in the Hampstead Aqueducts 10 shares (£200)¹³, in the Million Bank £500 stock¹⁴, in the Bank of England £2,000 stock¹⁵, in the Bank of Scotland £3,000 Scots¹⁶. Those eligible as governors of the Bank of England must hold £4,000, in the Bank of Scotland £8,000 Scots.

The quorum at meetings of the governing body was frequently seven, often subject to the proviso that the governor or deputy-governor must be included. Companies which fixed on this number were constituted with courts of varying membership—those of the Saltpetre company and the Bank of Scotland totalled twenty-six¹⁷, that of the Guernsey Paper company twenty¹⁸, that of the company for smelting Iron with

¹ *Vide infra*, III. p. 91.

³ *Ibid.*, III. p. 71.

⁵ *Ibid.*, II. p. 441; III. p. 111.

⁷ *Ibid.*, II. p. 467.

⁹ *Ibid.*, III. pp. 6, 275.

¹⁰ Both Paterson and Holland were interested in the Hampstead Aqueducts.

¹¹ *Vide infra*, II. pp. 212, 374; III. pp. 205, 254.

¹³ *Ibid.*, III. p. 6.

¹⁵ *Ibid.*, III. p. 205.

¹⁷ *Ibid.*, II. p. 473; III. p. 254.

² *Ibid.*, II. p. 473; III. p. 32.

⁴ *Ibid.*, III. pp. 76, 435.

⁶ *Ibid.*, II. p. 379.

⁸ *Ibid.*, III. p. 420.

¹² *Ibid.*, III. p. 76.

¹⁴ *Ibid.*, III. p. 275.

¹⁶ *Ibid.*, III. p. 254.

¹⁸ *Ibid.*, III. p. 71.

Pit-coal 16¹ and that of the Copper-Miners 12². On the other hand, it required 13 out of the court of 26 in the Bank of England to form a quorum³; 5 out of 14 in the Sword Blade company⁴, while the Hampstead Aqueducts was unique in providing that a majority of the committee of management, present at any meeting, should suffice⁵.

The controversy on the subject of voting rights in the East India company affected the constitution of other bodies in this respect. On the one side, there were a number of companies in which there was no limitation, for instance in the White Paper Makers, the Saltpetre company, that for digging Mines and the Hampstead Aqueducts each share entitled the holder to one vote⁶. On the other hand, while there was no undertaking which followed what is said to have been the method of a regulated company, namely the decision of controverted questions by a poll of persons, the Bank of England approached near to this rule, since it was decreed that no member should have more than one vote⁷. The difference lay in the fact that those, who owned less than £500 stock, had no voting-power. Similarly in the Million Bank £300 of stock entitled the holder to one vote and no one might have more than one⁸. In the Royal Lustring company 10 shares (£250) conferred a single vote, which in this case also was the maximum allowed to each member⁹. There was a third group which aimed at a compromise between the extreme tendencies. Like the Bank of England, £500 stock in the Greenland company gave a right to one vote, £1,000 stock to two, the latter being the maximum for any person¹⁰. According to the constitution of Barbon's land bank, £300 stock qualified for two votes, £500 stock for three votes, £1,000 stock for five votes—the latter being the maximum¹¹. In the company for smelting Iron with Pit-coal the maximum was four votes¹², in the Scots Linen manufacture five votes¹³. In some cases, where no express maximum is mentioned, there was still a limit to the votes of any shareholder, arising out of the restriction which limited the amount of stock or shares that might be subscribed for or owned by a member. Thus in the Bank of Scotland each £1,000 Scots carried one vote, subject to the proviso that no one might take up more than £20,000 Scots¹⁴; and in the society of White writing and printing Paper, while each five shares gave a vote, the maximum holding

¹ *Vide infra*, II. p. 467.

² *Ibid.*, III. p. 205.

³ *Ibid.*, III. p. 6.

⁴ *Ibid.*, II. pp. 441, 473; III. pp. 6, 64.

⁵ *Ibid.*, III. p. 206.

⁶ *Ibid.*, III. p. 76.

⁷ *Ibid.*, III. p. 250.

⁸ *Ibid.*, III. p. 167.

² *Ibid.*, II. p. 431.

⁴ *Ibid.*, III. p. 435.

⁸ *Ibid.*, III. p. 435.

¹⁰ *Ibid.*, II. p. 379.

¹² *Ibid.*, II. p. 467.

¹⁴ *Ibid.*, III. p. 254.

was 20 shares¹. The final step in this tendency, as it existed in the seventeenth century, was made by the charter of the Old East India company (1698), which introduced a sliding scale, but not a uniformly progressive one².

As a rule, the capital was divided into shares, and in this respect an advance was made on the cumbersome methods of the Mines Royal and the New River, with their units of large nominal value divided into fractions. In the Convex Lights company there were originally 32 shares on each of which £800 was called up³; but, as a rule, almost all the shares, created after 1688, were of small amount and necessarily the whole number was increased. Those in the Lustring company were £25 nominal⁴, in the English Linen corporation £10 nominal⁵, and in the Scottish⁶ and Irish⁷ undertakings of £5 in each case. French promoters especially departed from the previous practice of making the whole number of shares consist of dozens. In the ventures promoted by Nicholas Dupin, such as the Linen companies, in those formed for England and Ireland there were 1,000 shares and in the former undertaking 340 were first sold about par, and soon afterwards another issue was made at a premium of 400 per cent.⁸ The whole capital of the Lustring company was placed at a premium of 20 per cent.⁹

The methods of the promoters (or as they were called the "projectors") of the period varied. Some of them, like Thomas Neale, who was responsible for a number of lotteries and treasure-seeking ventures, seem to have foisted doubtful schemes on the investing public during a time of excitement¹⁰. Others like Nicholas Dupin¹¹, who founded the Linen and White Paper companies, William Paterson¹² (the Bank of England, Darien company, Hampstead Aqueducts), John Holland¹³ (the Bank of Scotland, Manufacture of Colchester Baizes &c.) were quite honest and above board. They agreed that they were to have a certain sum in payment for their preliminary expenses and the idea on which the enterprize was based. This arrangement was either embodied in the articles of the company or each share was charged

¹ *Vide infra*, III. p. 183.

² *Charters granted to the East India Company from 1601, also the Treaties and Grants made, or obtained from, the Princes and Powers in India from the year 1756 to 1772*, I. p. 185.

³ *Vide infra*, III. pp. 53, 59.

⁴ *Ibid.*, III. p. 75.

⁵ *Ibid.*, III. p. 91.

⁶ *Ibid.*, III. p. 167.

⁷ *Ibid.*, III. p. 99.

⁸ *Ibid.*, III. p. 93.

⁹ *Ibid.*, III. p. 75.

¹⁰ *Ibid.*, II. pp. 441, 488. Cf. Defoe's description of the Bloutegondegours in *The Consolidator: or Sundry Transactions from the World in the Moon*, 1705, pp. 257-65.

¹¹ *Vide infra*, III. pp. 64, 71, 91, 92.

¹² *Ibid.*, II. pp. 207-12; III. pp. 5, 204, 205.

¹³ *Ibid.*, III. pp. 173, 252.

with a certain amount which was known to be the recompense of the promoter. The largest payment to be made of this kind was that assigned to William Paterson by the Darien company, which however he afterwards surrendered. This was fixed at 2 per cent. on the original nominal capital, which would have brought him £12,000, and 3 per cent. on the profits for twenty-one years. The latter was redeemable by the company for a further £12,000¹. In the Hampstead Aqueducts, Paterson and two others bargained to receive 100 shares, equal to £2,000 nominal between them, without any payment. These were known as "maiden shares." They were also to have the option of subscribing in cash for a like number, and a sum of £200 they had disbursed on account of the undertaking was to be deducted from the calls due on the "chargeable shares." It follows that the vendors' shares in this case came to 18 per cent. of the whole nominal capital².

Dupin received 100 shares of £5 each in the Irish Linen company, but he was unable to retain any of them for himself, some being distributed to possible rivals in Ireland while the balance was transferred to the English corporation³. Warned by this experience he arranged that those who applied for shares in the Scottish Linen and Paper companies should pay him personally 8s. in the case of the former, and 18s. in that of the latter, on each share they took up⁴. Again, in the land bank, the promoters, Asgill and Barbon, were to receive £3,000 stock and £2,000 stock, respectively⁵. In view of the special circumstances none of these payments were excessive, and it is clear that the more important companies were not mulcted by the promoters.

When a company was formed a difficulty arose in the payment of calls. Owing to the scarcity of capital it was found that the advice of Houghton⁶, to exact the full payment at once, was a counsel of perfection; and, if adopted, it would have reduced applications for shares. On the other hand, when it was arranged that calls were to be met at fixed dates, shareholders were dilatory in discharging their obligations in this respect. From the beginning of the joint-stock system in every case, where there are details of the proceedings of any company, there are repeated complaints on this head. In the Mines Royal, the Mineral and Battery Works, the company of Kathai, the early East India voyages, the Virginia and Fishery companies, there were shareholders in arrear who only paid under pressure⁷. The Guinea company of 1631 is said to have been ruined in this way⁸. Royalty was no exception, for

¹ *Vide infra*, II. pp. 211, 212.

³ *Ibid.*, III. pp. 92, 93.

⁶ *Ibid.*, III. p. 250.

⁷ *Vide infra*, II. pp. 79, 81, 94, 95, 100, 107, 251, 365, 387, 416.

⁸ *Ibid.*, II. pp. 14, 15.

² *Ibid.*, III. p. 5.

⁴ *Ibid.*, III. pp. 167, 183.

⁵ *Vide supra*, p. 338.

Charles II. was one of the defaulting adventurers in a later African undertaking¹. Merchants also were offenders in this respect, and the managers of the Newmills company found it necessary to institute legal proceedings against members who were far behind in their payments². This characteristic of the seventeenth century shareholder explains a clause which appears in the charters of the Sword Blade company and of the Copper Miners that failure to meet calls when due rendered the sums, already subscribed on the shares, liable to forfeiture³.

The relation of the governing body to the shareholders varied in different companies. Mention has already been made of the great split in the East India company but it is worthy of note that, a few years later, when this body was assailed from outside, Cook, the governor, was loyal to the shareholders in refusing, as long as it was possible, to disclose the destination of the secret service fund⁴. The connection between Paterson and the Darien company reveals a spirit of self-sacrifice that could scarcely be anticipated in a commercial concern⁵. There was a striking solidarity amongst the stockholders of the Bank of England during its early history; and, in this case, the directors had no fixed fees, but "submitted themselves wholly to what the generality allowed them⁶." In other companies it was usual to grant each of the assistants a sum varying from £1 down to 2s. 6d. for every meeting they attended⁷. Sometimes a moderate honorarium was provided, which was divisible amongst those present at the court; while, when the Newmills company began to succeed, each manager received £12 sterling a year⁸. Elaborate rules were framed for a system of fines to punish unpunctuality, which in some cases embodied a graduated scale⁹, and in others particularized the clock by which the degree of lateness should be decided¹⁰.

Unfortunately there were instances where members of the governing body and individual shareholders knowingly betrayed the general interest. A member of the Newmills company was discovered to be one of the chief smugglers of English cloth¹¹, and an assistant of the Royal Lustring

¹ State Papers, Domestic, Charles II., CXLII. 1.

² Minutes in *Records of a Scottish Cloth Manufactory*, *ut supra*, p. 19.

³ *Vide infra*, II. p. 431; III. p. 435.

⁴ *Ibid.*, II. p. 160.

⁵ *A History of William Paterson and the Darien Company*, by J. S. Barbour, Edinburgh, 1907, p. 187.

⁶ *A Short Account of the Bank of England*, p. 1.

⁷ Houghton, *Collections*, *ut supra*, No. 98, June 15, 1694.

⁸ Minutes in *Records of a Scottish Cloth Manufactory*, *ut supra*, p. 261.

⁹ *Ibid.*, pp. 17, 311.

¹⁰ *Early History of the Scots Darien Company* by H. Bingham in *Scottish Historical Review*, III. p. 325; *vide infra*, II. p. 192.

¹¹ *Vide infra*, III. p. 146.

company was proved to have acted in concert with a French firm whose object was to overthrow the English undertaking¹. It was asserted also that large shareholders used the knowledge they obtained of the affairs of a certain company to make profits by speculation in the shares, but there is not sufficient evidence available to confirm this statement.

A few peculiarities in organization are deserving of mention. It was announced that some of the shareholders in the London to Norwich stage coach company would give all the dividends they received to charity, and the remaining members promised to distribute in the same way all profit accruing to them in excess of 10 per cent.² In the constitution of the Royal Fishery company it was agreed that the committees might use 10 per cent. of the capital, without giving the shareholders any account of how such moneys had been disposed of³. The prospectus or "preamble" for subscriptions of the Million Bank promised limited liability, in so far as no subscriber should be further answerable than for the amount of his stock⁴. Local considerations introduced several varieties of type in the Scottish companies. The Royal Burghs were to subscribe one-half of the capital of the Linen manufacture, and the Leather-stamping undertaking might not enter any town to transact business without an invitation from the magistrates⁵. Since so much of the capital for the development of Scottish industries had been raised in England, it is not surprising that duplicate books of the Newmills, Linen, Baize and Paper companies were kept in London⁶.

The financial methods of the period reveal, not only the real scarcity of capital, but the strange glamour exercised by what was called "a fund of credit." The Fire Insurance company, the Bank of England and the Million Bank all carried on business without any working capital provided by the members. In the Insurance undertaking, the partners in 1680 paid the debt, incurred by Barbon, and pledged a rental of £2,160 a year as a security against claims⁷. Supposing each shareholder "subscribed" the same amount of rental, the whole uncalled capital would (at 18 years' purchase) be worth £38,880, on which basis the uncalled liability would be close on £3,240 for each of the twelve shares. Those who joined the Million Bank simply deposited certain government securities, for which they received a specified amount of the nominal capital of the undertaking, and the funds for banking were provided by the depositors⁸. The original state of the Bank of England was even more hazardous. The company lent £1,200,000 for a term

¹ *Vide infra*, III. pp. 81-3.

² Houghton, *Collections*, No. 156, July 26, 1695.

³ *Vide infra*, II. p. 375.

⁵ *Ibid.*, III. pp. 167, 194.

⁷ *Ibid.*, III. p. 375.

⁴ *Ibid.*, III. p. 275.

⁶ *Ibid.*, III. pp. 150, 166, 173, 183.

⁸ *Ibid.*, III. pp. 275-7.

of years to the State, but only £720,000 was called up at first from the stockholders, and the balance of £480,000 was supplied from other sources, chiefly out of the deposits¹. The Bank of Scotland was the sole exception, since it had a working capital of £10,000, paid by the members². The same magnified expectation of the value of "a fund of credit" was at the root of the land bank schemes of 1695-6³.

The activity of the period from 1689 to 1695 is reflected by the transactions in the shares of the chief industrial companies. The mechanism of stock exchange dealings had been developed. Time-bargains were well understood, and "put and call options" were not unknown. The business of a stockbroker was specialized, and a tariff of charges had been established, varying from 10s. to 5s. per share, while the transfer fee of the companies was 2s. 6d.⁴

The commencement of the excitement arose from the remarkable success of the syndicate for the recovery of bullion from the wreck of the Spanish plate-ship at Hispaniola in 1688⁵. Until 1693 speculation in similar ventures was exceedingly active; and, according to Defoe, some of the shares (probably of £5 or £10 nominal) changed hands at as much as £100⁶. Then from 1690 there were exaggerated expectations of the profits that would result from the production of goods previously imported from abroad. Since the middle of the reign of Charles II., there had been much jealousy of the pre-eminence of France in the finer textile and paper industries. During the war, such importation was prohibited; and, with an adequate supply of technical skill, it seemed a necessary conclusion that the gains to be made by the companies, with a monopoly of some process in one of these trades, would be immense. The trend of quotations in the shares of the White Paper Makers company shows the magnitude of these expectations. The first price recorded was 60 at the end of March 1692. Until May 9th there was a reaction, and at that date the quotation was 41. For the next two years the market advanced. In September 1693, 70 was reached, and thereafter the rise was rapid. By February 1694, 100 was quoted, and in May 150—an increase of 200 per cent. on the average recorded price of 1692⁷.

The fluctuations in the shares of the English Linen corporation were somewhat sensational. In 1690 the issue-price was 10, and the following

¹ *Vide infra*, III. p. 207.

² *Ibid.*, III. p. 256.

³ *Ibid.*, III. pp. 247-9.

⁴ Houghton, *Collections*, Nos. 99, 101, June 24, July 5, 1694; *The Story of the Stock Exchange*, by Charles Duguid, London, 1901, p. 5.

⁵ *Vide infra*, II. pp. 485, 486.

⁶ *Essay upon Projects*, London, 1697, pp. 12, 13.

⁷ *Vide infra*, III. p. 67.

year an allotment was made to shareholders at 50. In 1692 the quotation varied from 42 to 29. The year 1693 began with the price at 45, by May the shares were below 40, at the end of July below 30, while in December they were no better than 18. In 1694 the fall was continued until 8 was quoted, and in the following year the variations were narrow, being only between 7 and 8¹. The absence of uniformity in the movements of the securities of these two companies is deserving of attention. During the two years 1693 and 1694 the shares of the Paper company *rose* from 59 to 150, while those of the Linen corporation *fell* from 45 to 8, while in the same period the variation in the actions of the Lustring company was very small².

These diverse fluctuations in the valuation of shares, subject to the same general conditions, suggest the presence of some exceptional influence. This is to be found, in the case of the Linen corporation, in the way that its assets were dealt with. Through the agreement with Dupin this undertaking received, without payment, a number of shares in the Irish company, which were divided to the shareholders in the parent concern. But these shares were saleable at upwards of ten times their face value, and therefore such a scrip dividend constituted a most substantial bonus. It follows that the high price of the shares from 1691 to 1693 included this bonus, and the subsequent fall is more apparent than real and represents the adjustment of the price, after scrip in the Irish corporation ceased to be divided³. Information relating to the cause of the advance in the shares of the Paper company is wanting, and also as to the fate of the market after 150 was reached. Making allowance for the bonus paid by the Linen corporation, the course of the market in its actions is uniform with that in the securities of the Lustring company, the average discount on the shares of the former in 1695 being about 25 per cent. and of the latter close on 20 per cent. In other manufacturing companies the course of the market yields similar results. Thus in the case of the two glass companies, either through speculation or extrinsic circumstances, the average quotation of 1695 was less than half that recorded in 1692⁴.

The tendency of quotations in mining and smelting shares presents a wonderfully close parallel to that of transactions in the actions of the Linen, Lustring and Paper companies. Here too there is the phenomenon of a rapid depreciation in the prices of some, co-existing with absence of movement in others. For instance, shares in the Welsh Copper company (the nominal value of which is said to have been 4½) were 32 in 1694 and only 10 in 1695⁵. Similarly, in the three years

¹ *Vide infra*, III. pp. 93-5.

³ *Ibid.*, III. pp. 92, 93, 100.

⁵ *Ibid.*, II. p. 439.

² *Ibid.*, III. p. 78.

⁴ *Ibid.*, III. pp. 111, 114.

1692 to 1694, there was a depreciation of close on one-half in the securities of the Derby copper mining company and of the undertaking for copper smelting¹. On the other hand during the same period there was scarcely any change in the quotation of the actions of the syndicates formed by William Docwra or of that working the lead mines on the property of Sir Carberry Price².

The effect of the war must also be allowed for. At first it would tend towards immense profits being made by companies (such as those producing powder or ordnance) which supplied the forces. Under the influence of the very large dividends, which were no doubt paid, the shares of such undertakings would stand at considerable premiums. In other industries again there was a large field for the *entrepreneur*, and respectable gains accrued from such pioneering. This element accounts for some of the advances in certain cases, such as that of the Linen corporation. These phenomena explain the premiums reached by the shares of a number of companies. That there was a period of wild speculation (as is suggested by the Report of the Commissioners of Trade³) is disproved by the fact that, up to the beginning of the crisis in 1695, there were several undertakings which attained at least a moderate success, the shares of which did not appreciate.

Any inflation, that there may have been in 1694, was gradually reduced by the growing stringency of the money-market; and, by the summer of 1695, there were the premonitory symptoms of the beginning of a crisis. This was indicated by the straits to which the government was reduced in its efforts to raise money, and by the state of the foreign exchanges. Before the war, exchange on Amsterdam was at 35s. Flemish per £, or at a discount of 5·8 per cent.⁴ On August 16th, 1695, the discount was as high as 36·9 per cent.⁵ This adverse state of the exchanges was occasioned, partly by the exceedingly bad state of the coinage, partly by financial difficulties of the government. For a considerable period the number of defective coins had occasioned much inconvenience in the transaction of business. For instance, in 1684, Philip Madox complained that the goldsmiths would receive, at its face value, none but "choice money," and that in a payment of £195 in guineas 25 of those he tendered had been rejected⁶. As time went on, the better coins were exported, and those that remained were much below the legal weight. The evils that resulted have been graphically pictured by Macaulay—"When the great instrument of exchange

¹ *Vide infra*, II. pp. 435, 439.

² *Ibid.*, II. pp. 439, 440.

³ *Journals of the House of Commons*, XI. p. 595.

⁴ Add. MS. (Brit. Mus.) 28,078, f. 356.

⁵ Rogers, *First Nine Years of the Bank of England*, pp. 41, 164.

⁶ Diary—MS. Eg. (Brit. Mus.) 1,627, f. 64.

became thoroughly deranged, all trade, all industry were smitten as with a palsy. The evil was felt daily and hourly in almost every place and by almost every class, in the dairy and on the threshing floor, by the anvil and by the loom, on the billows of the ocean and in the depths of the mine. Nothing could be purchased without a dispute. Over every counter there was wrangling from morning to night. The workman and his employer had a quarrel as regularly as the Saturday came round. On a fair day or a market day the clamours, the reproaches, the taunts, the curses were incessant; and it was well if no booth was overturned and no head broken. No merchant would contract to deliver goods without making some stipulation about the quality of the coin in which he was to be paid. Even men of business were often bewildered by the confusion into which all pecuniary transactions were thrown¹. Though some of the details in this picture are certainly exaggerated, the urgency of a reform of the currency was sufficiently pressing to induce the administration to undertake a re-coinage in the midst of a costly war, and at a time when the strain on the finances had become almost intolerable. This step had been resolved upon at the end of 1695, and the re-coinage was actually begun early in the following year. The carrying out of this policy revealed the dangers surrounding the Bank of England, which was without an adequate reserve for the critical times in which it had to work. It was moreover forced to strain its credit to the uttermost in the service of the State; and, at the same time, it was subject to attacks on the one side from the Tories and on the other from the private bankers. The combination of all these circumstances produced the run of May 4th, 1696, and the consequent suspension of cash payments of the notes of the Bank².

Had the crisis been mainly a monetary one, it would have passed away when the new coins were in circulation, but it lasted until about March in the following year (1697). All the evidence points to the conclusion that the "want of money," in this as in previous periods of acute depression, was a symptom, not the cause of the malady. The chief influence tending towards a dislocation of credit continued to make itself felt. This was the cumulative weight of the cost of the war, acting at a time when the volume of trade was becoming more and more restricted.

The revenue (exclusive of loans) in the last years of the reign of Charles II. had been about $1\frac{1}{4}$ millions. At the Revolution it was 2 millions; and, after paying this sum, it was calculated that the nation was saving at the rate of £2,400,000 a year. One result of the war

¹ *History* (1855), iv. pp. 626, 627; cf. Rogers, *First Nine Years of the Bank of England*, pp. 30-6.

² *Vide infra*, III. pp. 208, 209.

was at least to wipe out this surplus by losses of shipping and restriction of trade. According to Davenant the national income in 1698 (after the peace) was a million less than it had been ten years before¹; so that while hostilities were in progress, in view of the recorded captures of ships and the decline in foreign trade, it is probable that, without any additional burden, the national dividend would have just met the expenses of the people. But the cost of the war compelled the government to augment the revenue; and in the three financial years 1691-2, 1692-3, 1693-4, in addition to the settled revenue, there was raised annually, by special parliamentary grants for the war, $2\frac{3}{4}$ millions, this being considerably in excess of the average from this source during the whole reign². It follows that inroads were being made on the national capital at the rate of over two millions annually. The cumulative effect of such a burden was great, and there is to be added the weight of debt, which involved an addition to the expenditure of close on a quarter of a million in 1692 and 1693³. Moreover, the extraordinary expenses became heavier as the struggle progressed. Thus the estimates, which had been 4 millions for the navy and army in 1692, had grown to $5\frac{1}{2}$ millions in 1696⁴, with the result that by 1697 there was a debt outstanding of $17\frac{1}{2}$ millions⁵, of which $6\frac{1}{2}$ millions was funded at the end of the year⁶.

The unfunded debt was the measure of the embarrassment of the administration. It represented so-called securities, many of which were hovering on the verge of default. Tallies were issued when there was no more than a pious hope that they would be redeemed; and, in view of the state of national credit, it is not surprising that these obligations were at an immense discount. Even the recently created Exchequer Bills were 14 to 15 per cent. below par in the middle of 1696⁷. The

¹ *Works, ut supra*, i. p. 250.

² *Vide infra*, III. p. 539; *An Abstract of the Receipts and Issues of the Publick Revenue, Taxes and Loans during the Reign of His late Majesty King William; that is to say from the 5th of November 1688...to the 25th of March 1702*, in Somers' *Tracts* (1751), XII. p. 72*.

³ Interest paid at the Exchequer from September 29th to the same day in the following year—

1689-1690	...	...	...	£48,715	11	$7\frac{1}{2}$
1690-1691	...	...	...	121,584	15	$1\frac{1}{4}$
1691-1692	...	...	...	202,374	5	$3\frac{3}{4}$
1692-1693	...	...	...	220,321	4	$11\frac{1}{4}$

—Lansd. MS. 1215, f. 52.

⁴ *Journals of the House of Commons*, x. pp. 437, 547, 711; xi. pp. 345, 347.

⁵ Davenant, *Works*, i. p. 250.

⁶ *History of the Earlier Years of the Funded Debt, 1694-1786* [C. 9010], p. 15.

⁷ *Vide infra*, III. pp. 209-11; Evelyn, *Diary, ut supra*, II. p. 358; *History and Proceedings of the House of Commons, ut supra*, III. pp. 60-1.

land bank had been expected to provide two millions, but it utterly failed to make good its offer, besides adding to the want of credit by increasing the suspicions of bank-notes¹.

Under pressure from the government, the Bank of England was induced to adopt a device in January 1697, which at once tended to steady the market in tallies and other unfunded debts, but which was temporarily most depressing in its effects on the quotation of Bank stock. This scheme consisted in the distribution of the reserved profits to make the stock fully paid, and then the taking of a subscription for a temporary addition to the capital, known as the engrafted stock, which might be paid as to four-fifths in tallies. The effect of this method of supporting the credit of the State was to transfer the discount at which tallies stood to Bank stock. Early in 1696 the latter (then partly paid) had been at 48 premium. Under the combined effects of the passing of the land bank act and the suspension, it had fallen to 7 discount at the end of the year. The engraftment of the tallies produced a more serious effect than all the other adverse tendencies; and, in February 1697, the fully paid stock was at $51\frac{1}{2}$, or a discount of nearly 50 per cent.²

The severity of the culmination of the crisis in the first half of the year 1697 may best be shown by a comparison of the highest prices of a number of representative securities, beginning in 1692, with the lowest point touched up to the end of 1697:

*Comparison of the Highest and Lowest Prices of certain
stocks and shares, 1692-7.*

	East India Company	Royal African Company	Hudson's Bay Company
Highest Price 1692-7	200 (1692)	52 (1692)	260 (1692)
Lowest Price 1692-7	37 (1697)	13 (1697)	80 (1697)

	Bank of England	Royal Lustring Company £25 shs. issued at £5 Prem.	King's and Queen's Cor- poration for the Linen manufacture in England £10 shs.
Highest Price 1692-7	48 Prem. (1696)	32 (1692)	45 (1693)
Lowest Price 1692-7	$48\frac{1}{2}$ Disc. (1697)	18 (1697)	5 (1697)

¹ *Vide infra*, III. p. 252.

² For a full account of the "engraftment" *vide infra*, III. pp. 209-24.

Type I. in No. 2, April 6th, 1692

ACTIONS.	
India	151
Altimen	42
Guinea	52
Copper	57
Bay	260
Glasg	40
Paper	59
Wicks	20

Type III. in No. 441, January 3rd, 1700

ACTIONS Old Money, &c	
Gold St. the Oun.	10. 01. 04
Ditto Ducats	—
Pistols	—
Pieces of Eight	uncert.
Catch. Cr. Bays	23d 20. per Ell
Bank	123 od.
Guinea	No Tran.
Hudson Bay	—
India	119 09.
Tick. Mil. Lot. 11 yd.	6 18
Eng. E. I. Comp. No Tran.	—
Million Bank	79 39.
Orphans	— 00 09

Type II. in No. 111, September 7th, 1694.

ACTIONS.	
Westglaz.	—
Great Letters by Char.	—
not. (•) by Patent.	—
W A R f. 100 l.	—
Carolina	—
Coals Blyth	—
Malay	—
Copper Carnish	20 l.
Cumbrl. f.	9 l.
Derby	20 l.
1500	—
Greenland	—
Dechana f. 48 l.	—
Wearn	—
Geitch f. 16 l.	—
Shipping	—
Halley	—
Dying	—
John Williams	—
Jas. Williams	—
Engine	—
Poyntz	—
Overnt	—
Leasing	—
German Balls	—
Glas Boale f. 15 l.	—
Guinea f. 24 l.	—
Winton & Wyr. 170 l.	—
Japan	—
India	—
Lead Evans	—
Glasg	—
Price	—
Leather	—
Linen. R. and D. f. 4 l.	—
Scotch	
Lottery Million	—
Call or any 3 l. 6 s.	—
Alt or New 3 l. 0 l.	—
Blank 7 l. 0 s.	—
Put 2 l. 15 s.	—
Refuse 2 l. 6 s.	—
Autsting f. 23 l.	—
Metal Venation	—
Stew Jertiey	—
Glas	—
Pap. Gen. List	
Paper Blue	—
Trish	—
Pearl Fishing	—
Pennsylvania	—
Salt Peter Bellamont	—
Dechana	—
Leathere	—
Stapleton	—
Salt Rock	—
Trish	—
Sword Blades	
Wear	—
Water and Infarnce	—
Berlon	—
Hampstead	—
New River	—
Shedwell	—
Tork Buildings	—
Bermudas	—
Breadthoven	—
Neal and Track.	—

CHAPTER XVIII.

JOINT-STOCK COMPANIES FROM THE CRISIS OF 1697 TO THAT OF 1708.

THE crisis of 1696-7 began to pass away when it was recognized that the negotiations in progress were likely to result in a cessation of hostilities, and the restoration of confidence preceded the actual signature of the peace at Ryswick by some months. Both the Bank of England and the Hudson's Bay company had suffered greatly by the war—the latter by the capture of its forts by the French¹ and the former through being forced to engraft into its stock the depreciated tallies². It was not surprising therefore that the securities of both should rise apart from the general recovery, but the magnitude of the rebound from the lowest point during the depression is only to be explained by the co-operation of both series of causes. Hudson's Bay stock advanced from 80 to 130 in 1697, or a rise of no less than $62\frac{1}{2}$ per cent.³ The extreme quotations of Bank stock during the same period are 51 and 98, but the former price is that of this security with £80 paid, while the latter is the quotation of it as fully paid. Therefore dealings in the stock, with £80 paid, at 51 are equivalent to a price of $63\frac{3}{4}$ for the same security with £100 paid, and hence the real rise was about 53 per cent.⁴ The quotations of East India stock are of no value in testing the extent of the return of confidence, since this undertaking was affected by all the uncertainties, surrounding the expected settlement of the disputes which had been hanging over the market since 1693⁵.

It is only to be anticipated that many of the companies, which had been formed during the activity from 1690 to 1695, should have come to grief during a crisis of exceptional severity, indeed it was the custom of writers of a generation later to represent the promotions of 1690 to 1695 as "bubbles" or schemes which were chimerical, when not dishonest.

¹ *Vide infra*, II. p. 231.

³ *Ibid.*, II. pp. 233, 237.

⁵ *Ibid.*, II. pp. 163-7, 181.

² *Ibid.*, III. p. 210.

⁴ *Ibid.*, III. pp. 211, 244.

While, as almost invariably happens during a period of excitement, the production arranged for, in some directions, was in excess of the demand, there were very few schemes which could not be justified as speculative investments. Even the syndicates for the recovery of treasure, if regarded as a whole, left a large balance of profit¹. Supposing that there were in all twenty schemes with an average capital of £1,000 each and that all the imitators of the original expedition involved themselves in loss, the success of the first venture still left a balance, after making good such loss equal to nine times the resources estimated to have been employed in this class of venture.

In some cases (*e.g.* the Linen corporation²) errors in finance were committed, but these were incidental to the knowledge of the time and were shared by companies that have succeeded as well as by those that failed. Thus, in this respect, the Bank of England, under pressure of the administration³, was one of the chief offenders. Such mistakes were inevitable in critical times, when many of the industries started were experiments, and when the particular mode of organization was new and had not been generally adopted hitherto, outside foreign trades. That the activity of 1690 to 1695 was justified is shown by the considerable proportion of undertakings which were then started and which survived into the nineteenth century. In this connection the names of the Banks of England and of Scotland immediately suggest themselves and to these are to be added the Million Bank, the Hampstead Aqueducts and the London Bridge Water-works, the latter including two companies of the 1690 to 1695 period which were amalgamated in 1703⁴. Needless to say, such a long history is the exception amongst commercial concerns, but there were many companies which survived the crisis, some of which recovered afterwards and attained to a respectable success, while others continued to exist, but in an enfeebled condition. The causes, which resulted in the failure of some and the relative success of others, differ in various groups of undertakings; and, since several are of considerable interest, it is worth enquiring which of the ventures survived. It may be premised, however, that, owing to the disrepute into which transactions in stocks and shares had fallen⁵, information relating to companies is comparatively rare after 1697 and many undertakings may have enjoyed great prosperity without such success having been recorded. Accordingly the surviving companies mentioned below must be taken as the minimum, and it is probable that the list could be

¹ *Vide infra*, II. pp. 485-8.

² *Ibid.*, III. pp. 95, 96.

³ Andréadès, *History of the Bank of England*, p. 109.

⁴ *Vide infra*, III. p. 15.

⁵ Cf. *The Villany of Stock-Jobbers detected*, [by D. Defoe] 1701, in *A True Collection of the Writings of the Author of the True-Born Englishman*, 1703, pp. 225-71.

considerably extended, if the data for the ten years after 1697 were as complete as those for the period from 1690 to 1695. Moreover the crisis was primarily an English one. As far as can be ascertained, it only affected Scotland in so far as the inflow of English capital thither was checked. For this reason it will be advisable to deal first of all with the state of companies in England after the summer of 1697, and later with that of the undertakings in Scotland at the same period.

First of all, as already indicated, the syndicates for the recovery of treasure had disappeared by this date. Then, while the return of peace was an immense advantage to industry generally, this event was prejudicial to certain companies whose position was exceptional. Of the armament undertakings, nothing more is heard of the powder companies¹ or of those for making ordnance². The only enterprize of this description, which is known to have been able to carry on business after the crisis, was the Sword Blade company which was in the position of being able to pay dividends³. Another group was similarly affected. The companies formed to produce commodities, of which the importation was difficult during the war, experienced a double misfortune. Even before the peace, the prosperity to which they might otherwise have attained, was checked by the strain on the finances which induced the administration to impose heavy excise duties on a number of the new manufactures such as white paper and glass⁴. It follows that undertakings in this group were deprived of the full measure of protection which the circumstances of the time would otherwise have given them, and the continuance of these excises after the peace, when foreign competition had to be faced, further weakened such companies as had weathered the period of stress. The White Paper makers continued to exist in 1698⁵, and the Linen corporation also survived the crisis⁶, but in each case, after a short interval, both businesses appear to have been wound up. The same tendency is shown in the history of the other companies formed to carry on these industries, all of which seem to have disappeared by 1699, with the exception of the wall-paper undertaking which was prosecuting its trade actively at a later date⁷. One of the glass companies too was sufficiently successful to distribute dividends⁸, and the English Tapestry makers continued, though it was found necessary to wind up this concern about 1703⁹. The effect of the peace on this

¹ *Vide infra*, II. p. 474.

² *Ibid.*, III. p. 109.

³ *Ibid.*, III. p. 436.

⁴ *A History of Taxation and Taxes*, by S. Dowell, London, IV. pp. 290, 304; *vide infra*, III. pp. 69, 111, 112.

⁵ *Vide infra*, III. p. 68.

⁶ *Ibid.*, III. p. 97.

⁷ *Ibid.*, III. p. 72.

⁸ *Ibid.*, III. p. 113.

⁹ *Ibid.*, III. p. 119.

class of undertakings is clearly shown in the quotation of the shares of the Lustring company. During the crisis the price was rarely below par (£25) and was often higher. As other securities *rose* on the prospects of peace, Lustring shares *fell*, from 38 in 1696 to 18 in the latter half of 1697. This movement is to be attributed, not only to the general fear of foreign competition, but also, in this special case, to the revelations as to the extent to which the company had suffered through smuggling¹.

Of the banking and finance companies, besides the Bank of England, the Orphans' and the Million Banks remained, but the latter felt the shock of the crisis in being driven from banking proper and existed thereafter exclusively as a trust or investment company².

In the mining group the old society of the Mineral and Battery Works still existed, but the Mines Royal Act of 1693 had deprived the companion undertaking of any scope for its operations. However, owing to the practical amalgamation of the two societies, the charters of both were claimed to be operative; and, from the practice of holding meetings, as those of the Mines Royal and Mineral and Battery Works, an intricate legal point arose in the year 1720³. Amongst other mining companies, that formed to work the mines of Sir Carberry Price and the undertaking established by Docwra were doing well; while the Copper Miners, both of England and of Wales, continued to exist⁴.

There was one group, namely the water-supply companies, numbering about eight separate undertakings for the London area, all of which survived the crisis. At the same time the period of activity had had the effect of inducing excessive competition with the consequence of an undue inconvenience to the public in the breaking up of the streets for the laying of mains; and, through much of the outlay proving unremunerative, the shares of the weaker companies became depreciated, several of them finding it difficult to raise capital at a later date when it was required. Thus in 1700 the shares of £20 nominal of the Hampstead Aqueducts were sold at £15⁵.

Finally of the miscellaneous companies there is information of the fate of only two after 1697. These were the insurance office, originally founded by Barbon and the Convex Lights company. The former was in an unsatisfactory condition; and the company, formed in 1680, was either wound up or reorganized in 1703⁶. The Convex Lights company, though its success led to the starting of competitive schemes, continued to do well, and it was able to hold the contract it had obtained from the

¹ *Vide infra*, III. p. 89.

² *Ibid.*, III. p. 277.

³ *Ibid.*, II. pp. 404, 405, 428, III. p. 398.

⁴ *Ibid.*, II. pp. 433, 437, 438, 444.

⁵ *Ibid.*, III. pp. 6, 7, 13, 14, 26, 32, 33.

⁶ *Ibid.*, III. pp. 376, 377.

Corporation for street-lighting¹. One of the land-companies is to be added to the list of those that are known to have out-lived the crisis², so that altogether, adding the three joint-stock organizations for foreign trade, of 93 English companies that were carrying on business from 1690 to 1695, 28 can be ascertained to have been in existence in 1698, or at least 29 per cent., and it is probable that this number ought to be increased, since there are no particulars as to when many of the manufacturing and mining companies were wound up.

In Scotland the crisis from 1695 to 1697 produced comparatively small effects. Its influence was indirect rather than direct. The scarcity of capital in London precluded the making of further investments of English resources in Scotland, and it is probable that, owing to the indignation which had been aroused amongst the mercantile classes of both countries concerning the inception and development of the Darien scheme, even had there been no financial crisis, such investment would have ceased for a considerable period. It follows, then, that there was not the same abrupt check to prosperity in Scotland that there had been in England, and it is significant that, while there was an almost complete cessation of new enterprise south of the Tweed in 1696 and part of 1697; in Scotland, during these years, capital was being found for manufactures and for calls on the stock of the Darien company³. The only change in the situation was that after 1695 such capital was raised locally and not supplied in part from England.

When Scotland was fortunate in escaping the full effects of the crisis of 1695-7, it might be concluded that more of the companies established there would have been in existence in 1698 than remained in England at the same date. As far as can be ascertained, out of 47 undertakings, which had been at work between 1690 and 1695, only 12 are known to have been able to carry on business in the last years of the seventeenth century. The most prominent of these were the Darien company, the Bank of Scotland, the Soaperie, two Sugaries, a Roperie, three cloth companies, one for paper and the wool-card manufactory⁴. On the whole then, taking England and Scotland together, out of the 140 companies particularised in the previous chapter⁵, there is information to show that at least 40 (or about 28 per cent.) were in a condition which enabled them to continue to carry on business in 1698.

During the continuance of the crisis in England, the phenomenon of the recent formation of many new companies, accompanied by active dealings in their shares, followed by the collapse of the majority of these

¹ *Vide infra*, III. p. 60.

² *Ibid.*, III. p. 417.

³ *Ibid.*, II. p. 218.

⁴ *Ibid.*, II. pp. 217-9, III. pp. 132, 136, 153, 159, 160, 174, 179, 258.

⁵ *Vide supra*, pp. 335, 336.

undertakings, naturally excited attention, and the tendency of opinion was to attribute the series of failures to "the pernicious art of stock-jobbing." As in most other periods of acute depression, the popular remedy for the disorder of credit was based on a superficial examination of the facts. To many observers it was sufficient evidence that the crisis had followed a great increase in the dealings in shares and other securities, whence it was inferred that the latter event was the cause of the former. Moreover, there were reasons of a semi-political nature, which made the administration prone to offer the "stock-jobber" as a scape-goat to bear the burden of the great decline in the national credit. In addition to the shares of companies, tallies and other obligations of the government were actively dealt in, and such transactions advertized the immense discount at which some of these securities stood from 1695 to 1697.

The condemnation of the stockbroker was expressed in a report of the Commissioners appointed to look after the Trade of England, which was dated November 24th, 1696. In this document it is stated that "the pernicious art of stock-jobbing hath of late so perverted the end and design of companies and corporations erected for the introducing or carrying on of manufactures to the private profit of the first projectors, that the privileges granted to them have commonly been made no other use of by the first procurers and subscribers but to sell them with advantage to ignorant men, drawn in by the reputation, falsely raised and artfully spread, concerning the thriving state of their stock. Thus the first undertakers getting quit of the company by selling their shares for much more than they are really worth to men allured by the noise of great profit, the management of that trade and stock comes to fall into unskilful hands, whereby the manufactures intended to be promoted by such grants and put into the management of companies for their better improvement come, from very promising beginnings, to dwindle away to nothing and be in a worse condition than if they were perfectly left free and unassisted by such laws and patents; an instance whereof we humbly conceive is to be found in the paper and linen manufactures, which, we fear, feel the effects of this stock-jobbing management and are not in so thriving a condition as they might have been had they not fallen under this kind of misfortune¹." This report is directed chiefly against the alleged arts of the promoter, who was able to carry out the designs with which he was charged, by means of the mechanism of the stock-market. It was said of the brokers that "they confederated themselves together," either to raise or depress prices as suited their interests².

¹ *Journals of the House of Commons*, xi. p. 595; cf. *Essay upon Projects*, 1697, pp. 12, 13; *A Letter written to a Member of Parliament relating to Trade*, by John Eggleton, 1702, in *Somers' Tracts* (1748) iii. p. 550.

² *Statutes*, vii. p. 285.

Thus the censures, made on transactions in stocks, are directed upon two different interests, on the one side against the promoter and on the other against the dealer. As regards the latter, there is ample evidence that facilities were granted for the purchasing of securities on margins. Options were understood, and "bear" sales were made. Still the chief operators were not brokers by profession, but members of the rising class of "monied men," who employed agents to execute their commissions¹. Such men organized an elaborate system of intelligence for conveyance of the earliest possible news of events that affected their interests. Thus Sir Josia Child, and subsequently his son, Sir Francis Child, established a private express service from the south of Ireland, which gave early information of the arrival of East India ships, while several directors of the Bank of England were in possession of news of events on the continent in advance of the government offices. These astute operators naturally took steps to reap the full benefit of their enterprize, by instructing brokers, who were known to act for them, to sell when they had just received favourable information, while, on a reaction being established, other agents purchased quickly². On the whole, however, the effect of such speculative manipulation of the stock market, as existed in the seventeenth century, was less than might have been expected. It is to be remembered that the investment of capital was subject to immense risks. So much depended on the issue of the war that the future of Bank stock and of the obligations of the government was exceedingly uncertain. East India stock again was not only subject to special risks during hostilities, but, in addition, according as the expected settlement of the trade was unfavourable or favourable to the company, its securities in five years from 1697 might be worthless, or selling at 200 to 300³. In purely domestic undertakings, all the disappointments that are encountered in starting a large number of new industries simultaneously, were to be anticipated. In view of these factors, all of which tended to produce great instability of prices, it is remarkable that quotations display so little of the see-saw movement due to market manipulation, but on the contrary follow well defined

¹ *The Consolidator: or Memoirs of Sundry Transactions from the World in the Moon*, 1705, pp. 256, 257.

² *Chronicles and Characters of the Stock Exchange*, by John Francis, London, 1849, pp. 23, 365.

³ This aspect of the situation was overlooked by Defoe when he wrote that East India stock, "within ten years or thereabouts, without any material difference in intrinsic value, has been sold from £300 per cent. to £37 per cent. from whence with fluxes and refluxes, as frequent as the tides, it has been up to £150 per cent. again"—*Villany of Stock-Jobbers Detected in True Collection of the Writings of the Author of the True-Born Englishman*, 1703, p. 257.

lines of movement, the causes of which can generally be traced, even after the lapse of a long interval of time¹.

The attack of the Commissioners of Trade on promoters, as a class, comprises two main charges. First that they circulated false or misleading statements, relating to the prospects of the companies they had formed, and then, when as a consequence the shares advanced, they sold on a rising market. In several cases, indeed in whole groups of companies, the shares advanced to a great premium. This was so especially in mining undertakings and the syndicates for the recovery of treasure². In each of these instances there was the inducement offered by great gains, already made, and there is no record of misrepresentation by the promoters of these companies formed from 1690 to 1695. In the manufacturing group of undertakings, information is wanting as to the cause of the advance in the shares of the White Paper company³, while that of the English Linen corporation is to be assigned to the manner in which the "community of interest" between this concern and the Irish undertaking affected prices⁴. In the remaining companies for new manufactures there is no record of large premiums being obtained on the shares. It follows, therefore, that the available evidence does not support the charge of a fraudulent engineering of a large rise in the prices of shares in these undertakings, in order to enable the promoters to dispose of their holdings. On the contrary, the fact that the sums, reserved to the founders of a company at its inception were comparatively moderate, points to the opposite conclusion, while the allegation that the reputation of such stocks was "falsely raised and artfully spread" is not established by anything published in the newspapers of the time. The press, with the exception of Houghton's *Collections*, contented itself with the insertion of advertisements without comment, while the latter explains the nature of the different schemes, but as a rule without adding any strong recommendation.

If then there was no general inflation of prices by means of the circulation of misleading information, the explanation of the collapse contained in the *Report*—namely that the only persons, possessed of technical knowledge, having sold their shares, the management fell into unskilful hands—breaks down. Indeed, in the two companies instanced in the *Report* those who were prominent in the direction about 1690

¹ These causes, as far as they affect the chief stocks, are dealt with under the heads of the respective companies—*vide infra*, II. pp. 28, 29, 159, 160, 163, 166, 168, 173, 183, 186, 233, 432, 433, 437, 438, 450, III. pp. 25, 26, 56, 59, 67, 78, 95, 96, 97, 210–12, 244, 274, 280–1, 287. Cf. also Rogers, *First Nine Years of the Bank of England*, pp. 25–7, 62, 70, 92, 93, 98, 100, 101, 132, 133, 153, 154, 158–60.

² *Angliæ Tutamen*, p. 18; *An Essay upon Projects*, pp. 12, 13; *The Consolidator*, 1705, p. 260.

³ *Vide infra*, III. p. 67.

⁴ *Ibid.*, III. pp. 93–6.

continued to hold their shares in 1697. Amongst such inventors and promoters may be mentioned Nicholas Dupin and John Tyzack, who between them were connected with about ten separate companies¹.

For these reasons, it appears that the blame, laid on stock-jobbing, was to a large extent undeserved. Still the imputation was so widely accepted that various legislative and other devices were adopted with a view to restrict transactions in stocks and shares. It was enacted in the act of 1697, which authorized the increase in the capital of the Bank of England, that no contract for the sale of the stock should be valid in law, unless it was registered at the office within seven days and actually transferred inside a fortnight². The object of this clause was to prevent dealings on margin. Then a measure was passed in 1697 "to restrain the number and ill-practices of brokers and stock-jobbers." In future the number was limited to 100, and candidates were required to be licensed by the Court of Aldermen of the City. After enrolment, the authorized broker had to show a badge on the completion of each transaction. He was bound to keep books and was prohibited from dealing on his own account under a penalty of £200 for each offence. Anyone who acted as a stockbroker, without the statutory authorization, was subject to a penalty of £500, and to be thrice pilloried³. Further evidence of the drift of opinion against the stock-jobbers is shown by their expulsion from the Royal Exchange in 1698, whence they migrated to Exchange Alley⁴—a locality destined to become as notorious at a later date as the Rue Quincampoix in Paris. They were violently attacked in a pamphlet entitled *the Villany of Stock-Jobbers Detected*⁵; and the joint effect of the crisis and the obloquy to which the brokers were subjected, caused newspapers which had begun to quote changes of prices in the stock market to discontinue the practice. Even Houghton, who in 1694 had printed the names of fifty companies in his list, in 1698 reduced it till quotations of only seven securities were included. At the same time he introduced a very ingenious departure by placing a small figure at the side of the quotation, *e.g.* Bank stock—92 1q, 91 2q, 96 3q, 103 0q. No explanation is given of this notation, but it seems highly probable that these small figures are intended to record the number of quotations at a given price on the day named. Thus 103 0q would mean that this price was offered, or that stock was for sale at this limit, but that no business resulted⁶.

¹ *Vide infra*, II. pp. 441, 487, III. pp. 64, 71, 90, 109, 119, 163, 182, 187.

² *Statutes*, VII. p. 227.

³ *Ibid.*, VII. p. 285; *Reports Hist. MSS. Com.* XIII., Pt. VI., p. 304.

⁴ Anderson, *Annals of Commerce*, III. p. 195; *The Story of the Stock Exchange*, by C. Duguid, London, 1901, p. 17.

⁶ Printed in 1701. It was written by Defoe.

⁶ *Vide supra*, p. 351.

The disrepute of stock dealing explains the apparent anomaly that during three and a half years of very great prosperity from the middle of 1697 to the end of 1700, very few new companies were established in England. In Scotland, on the other hand, between 1696 and 1702 no less than twelve undertakings were started. The cloth trade there had shown signs of revival, and it appears that about 1700 the Newmills company paid a dividend of 18 per cent.¹ This success induced competition, or at least imitation, and woollen manufacturing companies were established at Glasgow (two), at Aberdeen and in Berwickshire². Two new "sugaries" were founded, also four glass companies and two factories for hardware³. The check to the activity in Scotland began to make itself felt about 1700; when, after a series of bad harvests, it was discovered that the country had been investing too freely in new enterprises for the home trade and, especially, when it was found that the Darien scheme had miscarried⁴.

The wave of prosperity in England continued till the end of the year 1700. With the return of peace, trade everywhere expanded, and the recovery was aided by a series of favourable seasons. From 1701 to 1703 wheat and other agricultural products were sold at low prices⁵, and there was much activity in farming. This tendency is shown by the number of petitions and grants at this period for the establishing of new markets and fairs⁶. Shipping revived after it was known that the depredations of privateers were no longer to be feared, and steps were taken to add to the safety of navigation by erecting new beacons and lighthouses⁷. Internal communication and transport were improved by an extension of water-carriage through the making of a number of rivers navigable⁸. The total foreign trade, which had fallen to only 7 millions in 1696-7, advanced to 13½ millions in 1699-1700 and to close on 13½ millions in 1700-1, an increase in the four years of over 90 per cent.⁹ The expansion of commerce, coupled with the improvement in the state of the national finances, produced a marked reduction in the

¹ *Records of a Scottish Cloth Manufactory*, *ut supra*, pp. 336, 337 (note).

² *Vide infra*, III. pp. 160, 161.

³ *Ibid.*, III. pp. 136, 188, 189-92.

⁴ *The Fiscal Policy of Scotland before the Union—Scot. Hist. Review*, I. pp. 181, 182; *On the Price of Wheat at Haddington*, by R. C. Mossman, Edinburgh, 1900, p. 29.

⁵ Rogers, *Agriculture and Prices*, *ut supra*, v. p. 278.

⁶ State Papers, Domestic, Petition Entry Books and Home Office Warrant Books, 1701-1703.

⁷ *The Growth of English Industry and Commerce in Modern Times*, by W. Cunningham, 1903, p. 488.

⁸ *Journals of the House of Commons*, XI. pp. 368, 372, 673.

⁹ *State of the Trade of Great Britain*, by Sir C. Whitworth, London, 1776 Appendix.

rate of interest. Instead of the government being forced to borrow at 8 per cent. or even at greater cost, by 1700 proposals were made for a loan at 5 per cent.¹

One of the first consequences of the return of prosperity was the effort to effect a settlement of the African and East India trades. In either case the administration would have been disposed to have granted a monopoly to any group of capitalists who provided a considerable loan, since money was still required to reduce the floating debt. With African stock selling at an average price of only 15 for £100 nominal², neither the company nor its opponents were prepared to undergo extensive risks, and in 1697 a compromise was effected by which the chartered undertaking was compelled to license independent traders, on condition that they paid a royalty which was intended to provide for the upkeep of the forts³. The underlying principle, adopted in dealing with the East India trade, was the same, though the working out of it in practice differed in the details. It was clear that the dispute between the two opposing interests had become so embittered that there was no prospect of both factions working together in one organization. In 1697 the stock of the Old Company was so much depreciated that it would have been easy for its opponents to have acquired a considerable interest under par. By this time they aimed at the complete extinction of the existing body; and it was fortunate that, while the House of Commons was still greatly influenced by both interests, sufficient time had elapsed to moderate the extreme views that had been current before the crisis of 1695-7.

The date of the attempted settlement was conditioned by the state of the money-market, since the organization, which was to be induced by Parliament with the control of the trade in future, would be expected to provide a large loan. Thus it was not until 1698 that the tender of two millions at 8 per cent. was accepted. The act, authorizing this loan, was obviously intended to be a compromise between a number of divergent principles and between persons who were hostile to each other. It resembles the settlement made in the African trade, in so far as Parliament granted a footing to the independent merchant, the regulated and the joint-stock company. All that the act effected was to confine the India trade to those who subscribed capital for this particular loan, and the owners of this stock were entitled to send goods to the East proportionate in value to the amount of their holding. At the same time, provision was made that any of the subscribers who wished could unite and become incorporated as a joint-stock company. Prior to the passing of the act, the opponents of the old undertaking had

¹ Rogers, *First Nine Years of the Bank of England*, p. 101.

² *Vide infra*, II. p. 34.

³ *Ibid.*, II. p. 23.

expressed themselves in favour of an unrestricted trade in most unexceptionable terms. They urged that though patents might be granted to joint-stock companies for infant industries, "yet, afterwards, when such trades have grown considerable, the wisdom of the nation has always or generally judged it fitting to open a way for the kingdom to receive a general benefit therefrom." But, though the promises of the promoters of the act pointed either to a regulated company or to a body of independent traders without any regulation beyond that required to maintain the general monopoly, it is a significant commentary on these professions that only about one per cent. of the trade was carried on in this way. It was found that the Old Company had subscribed enough of the loan to entitle it to between one-sixth and one-seventh of the trade¹. All the remaining subscribers, who owned over four-fifths of the debt, were incorporated into one joint-stock body². Therefore the situation entered into a new phase, with keen competition between two joint-stock organizations, which were denominated "the Old" and "the New" Companies. The most important element in the beginning of this struggle was the comparative financial weakness of the rival undertakings. Both had nominal capitals of over a million and a half, but the resources of the Old Company were depleted by losses during the war, by payments for secret services and by reduction of trade in the interval while the settlement was under the consideration of the House of Commons. On the other hand, the New Company had sunk its subscribed capital in the loan, made to the State, and therefore, at the date of its incorporation, it had no resources available for prosecuting its trade, except in so far as it could borrow on the security of the government debt due to it. To provide working capital a new security was created, known as "the additional stock" or "the Shares." There was no fresh allotment, since calls were made on the existing stockholders until by 1702 over half a million had been raised. It is doubtful if much of this sum was available for trading, since the company had promised a considerable amount in bribes before the act was passed, and from 1698 to 1701 further payments were made on account of "secret service³."

Besides the new East India company, there were few companies established in England from 1698 to 1700. The chief direction in which the activity showed itself was in provident schemes. In 1696 the mutual

¹ For the details *vide infra*, II. pp. 166, 180, 181.

² Stock in the two million loan was held as follows—

Persons who did not belong to either company ...	...	£23,000
The Old Company ...	... ..	315,000
The New Company ...	... ..	1,662,000

³ *Vide infra*, II. pp. 183-5.

fire-insurance undertaking, known as "the Hand-in-Hand," was started¹, and in 1698 a *Society of Assurance for Widows and Orphans* was founded². In the following year the *Charitable Corporation for the Relief of the Industrious Poor* began a career, which subsequently became remarkable. The earliest proposals for the founding of banks had contemplated the lending of money on pledges, and in 1678 "divers poor artificers and handcraftsmen" had presented a petition praying that loans should be made to them at the rate of $\frac{3}{4}d.$ in the £ per week³. The Charitable Corporation was established to meet this need by a number of philanthropic persons, who provided the necessary capital, subject to the condition that only the legal rate of interest should be paid to them.

The most striking promotion of this period was that which was subsequently incorporated as the *Mine-Adventurers Company*. The undertaking formed to develop the mines of Sir Carberry Price⁴ had been doing well, and its shares remained steady during the crisis at about 17. In 1698 Sir Humphrey Mackworth formed a syndicate, which proposed to buy out the existing shareholders on behalf of a new company. They might either sell their shares for cash at £20 per share or convert them into so-called bonds of the new undertaking. These bonds were then drawn, not for repayment, but as tickets in a lottery where the prizes were shares in the new company. The bonds were entitled to a fixed dividend of 6 per cent. and to repayment of the principal, while the shares were entitled to the remaining profits. The effect of this arrangement was to increase a capital, valued at £96,000 in the market during 1697, to one of £205,160 nominal, and this was augmented both by a further issue of shares and by the price of these counters being raised very greatly above the so-called par value⁵.

What is important in the whole transaction, from the point of view of historical development, is the gradual emergence in the joint-stock company of a division of the whole capital into different classes with special rights. For over a century, borrowing on the bonds of a company had been in existence. In some respects such obligations resembled debentures, in so far as they constituted a first charge on the earnings. They differed, however, in that there was nothing corresponding to a trust deed, no properties were specifically charged, the total amount was not fixed, and they were repayable either on demand or at short dates. In the case of the new East India company, the stock as such was divided into two separate classes each of which had distinct rights—the original

¹ Amalgamated with the Commercial Union Assurance Company Ltd. in 1906.

² *Vide infra*, III. p. 389.

³ State Papers, Domestic, Petition Entry Book, XLVI. p. 241.

⁴ *Vide supra*, pp. 336, 347, *infra*, II. p. 440.

⁵ *Vide infra*, II. pp. 444-7.

stock being entitled to 8 per cent., paid by the government, and to certain contingent advantages, while the additional stock was to receive the profits, made in trading¹. Similarly, in the Mine Adventurers' company the bonds were, in effect, preference shares, with priority as to a moderate fixed dividend and to capital, but subject to cancellation on repayment at the will of the company. It is interesting to note that this principle in joint-stock finance appeared in the one case where the additional stock came to an end through the interference of the State, and in the other in a company which anticipated later developments, not only in this respect, but in some of the most undesirable characteristics of fraudulent promotions.

Some measure of the improvement of credit and the general prosperity of the three years ending in 1700 may be obtained from the position of the Bank of England at this period. In 1698 a beginning was made towards the paying off of the engrafted stock. These payments, which continued until 1707, make the dividends appear somewhat complex; since, while the total distribution for the half-year or year was calculated at an even rate per cent. (including the usual fractions), the allocation of the whole sum, as between what was divided from profits and what represented a return of capital on account of the engrafted stock, involves minute subdivisions which are sometimes so small as to involve farthings *per cent.* Taking the three and a half years from July 1697 to December 1700, there was divided from profits very nearly $29\frac{3}{4}$ per cent. or an average of nearly $8\frac{1}{2}$ per cent. annually. The highest dividend in this period was in 1700, when it was 10 per cent. The advance in the price of the stock was remarkable. In February 1697 the equivalent of £100 of fully paid stock could have been purchased at about £63. 15s. In March 1700 the quotation touched $148\frac{1}{4}$, or a rise of no less than $132\frac{1}{2}$ per cent. in three years². For 1698 the yield at the average price of the year was $6\frac{1}{2}$ per cent., for 1699 $8\frac{5}{8}$ per cent. and, for 1700, $7\frac{1}{3}$ per cent., giving an average from 1698 to 1700 of $7\frac{1}{2}$ per cent. It shows the difference in the state of credit in England and in Scotland that about this time the yield on the stocks of the Newmills company and of the Bank of Scotland was, in each case, about 13 per cent.³

In the year from March 1700 to March 1701 there came a startling change from abounding prosperity to the depths of depression and even panic. Two diverse series of events led to the crisis of February and March 1701, on the one side the doubtful aspect of international politics and on the other the embittered strife between the Old and the New East India companies. In the spring of 1700 there were grave fears

¹ *Vide infra*, II. p. 186.

² *Ibid.*, III. pp. 214-16, 244.

³ *Ibid.*, III. pp. 153, 274.

as to what would happen on the death of the king of Spain, whose health was reported to be precarious. In certain contingencies it became apparent that a renewal of war with France would be inevitable, and the recollection of the losses from 1692 to 1697, of financial difficulties and of the late crisis was too recent for the prospect to be regarded without serious apprehensions. The news of the nomination of the Duke of Anjou for the crown of Spain, which came in November, showed that these gloomy anticipations had been well-founded, while the absence of preparations for war in England occasioned great alarm in the southern counties, which were greatly disturbed by the danger of a French invasion¹. At a time when trade was active, the uncertain political outlook might occasion a crisis, but, when the mercantile community was case-hardened in scares, it is probable that no panic would have resulted had there not been other elements of danger. These are to be found in the condition of the East India trade from 1698 to 1700. The act of 1698 had produced an impossible situation. The New Company was entitled to more than four-fifths of the trade, but its rival was firmly established in India with the consent of the native rulers, who had small respect for the votes of an English Parliament at Westminster. It follows then that the Old Company, having an established position where its mercantile operations were carried on, could hold a larger share of the trade than it was allowed by the act. On the other side, the New Company was strong at home, where the other organization was weak. Though the latter was able to make the greater profits in the East, its methods were subject to the interference of the House of Commons, exerted in the interests of the younger body. The only logical escape from the impasse was by an amalgamation, but the Old Company was determined to obtain better terms than would have followed from a union on the basis of the allocation of trade under the act. Therefore, its efforts were directed towards improving its condition at home. In following out this policy, there were several different steps which must be co-ordinated in their proper places in the general scheme. No efforts were spared to make interest in Parliament, and both organizations became brisk bidders for the small and corrupt boroughs². Then the credit of the New Company at first was not good, and a vigorous campaign was begun to bring it into discredit, especially by the depreciation of its stock in Exchange Alley. On the whole, the

¹ *Hist. and Proceedings of the House of Commons*, III. p. 143.

² *The Freeholder's Plea against Stock-jobbing Elections of Parliament men* [by Daniel Defoe], 1701, in *A True Collection of the Writings of the Author of the True-Born Englishman*, 1703, pp. 166-83; *The Consolidator*, 1705, p. 261; *The Anatomy of Exchange Alley*, 1719, in *Chronicles and Characters of the Stock-Exchange*, by John Francis, 1849, p. 380.

Old Company was the victor at almost every point. Its stock during the year before and after the attempted settlement had sold at an average price of about 50, and in 1700 the middle quotation was as much as 100½. Against this advance of over £50 or 100 per cent., the stock of the New Company had only risen 41 per cent., and, in the following year, the older undertaking maintained most of this increase, while the premium on the stock of the other undertaking was reduced to 20 per cent.

It was the further development of the attack on the credit of the New Company which produced the crisis of 1701. It had many obligations outstanding, and the accommodation, given it by the Bank of England, had strained the resources of the latter. The Old Company, taking advantage of the shock which the credit of the bankers had already sustained, organized a run on the Bank in the hope that, if it were forced to suspend payment, the operations of the new East India company would be further restricted. The Bank narrowly escaped; and, in saving itself, it was forced to call in its advances, with the result of the run becoming general and the failure of several bankers (amongst whom the financial agent of the Old Company is said to have been included). This crisis came in February 1701, and it lasted well into the following month¹. The depreciation of the chief securities from the highest point of the previous year varied between 34 per cent. and as much as 53 per cent.

Comparison of the highest recorded price of certain stocks with the lowest during the Crisis 1701.

	Old East India Co.	New East India Co.	Bank of England	Million Bank
Highest Price 1700	142	154	148½	97
Lowest Price 1701	75½	100	97	57
Depreciation	66½ 53 %.	54 35 %.	51½ 34 %.	40 41 %.

The fall in stocks and failures of bankers show that the crisis of February and March 1701 was severe. Contemporary observers spoke of "the great declension of trade" with an increase of poverty and unemployment. In some districts, the poor-rate had been increased tenfold in the last 25 years, rising in Shoreditch from 4s. 6d. to 36s. in the £ on the same valuation². Fortunately the duration of the crisis was brief, and by the summer the commercial situation was approaching the normal. It was recognized, moreover, that the contest between

¹ *Vide infra*, II. pp. 184, 185, III. p. 217.

² *A Brief History of Trade in England, 1702* [Brit. Mus. 1138 . b. 3], pp. 25, 154, 155.

the two India companies had become little short of a national danger, and steps were taken to effect a further settlement, which it was hoped would be final. Even adherents of the New Company admitted that this organization was unable to hold the proportion of the trade granted to it by the act of 1698, therefore in the amalgamation it was seen that the old undertaking must be treated as if it had subscribed more stock in the loan, on which the monopoly depended, than it actually owned. Once this point was reached, it was not difficult to advance a stage farther and to make it a basis of the union that the share of each company in the trade should be exactly equal. This was carried out by the shareholders of the New Company selling to the Old Company enough stock to make the holdings of both in the loan of the same amount. The Old Company gained an important advantage when it was agreed that such sales were to be made at par¹. The equalization of the holdings of the two bodies in the loan was only one side of the arrangement. It was also agreed that the whole management of the trade was to be committed to a body elected equally from the courts of the two companies, and that this body should have full powers to raise further capital as required. Meanwhile each undertaking was to exist as a corporation for seven years in order to pay off its debts, incurred on the security of its common seal; and, at the expiration of that period, the amalgamation should be consummated by the stockholders of the Old Company receiving the scrip issued against the loan of 1698. Then this corporation was to be dissolved, and the remaining organization, founded on capital subscribed as to one half by members of the Old Company and as to the other half by members of the New Company, was to be known by the title of *the United Company of Merchants of England trading to the East Indies*².

This agreement, which was signed in instruments described as the Indentures Tripartite and Quinque Partite on July 22nd, 1702, constitutes one of the developments which mark the period of prosperity beginning in 1701 and continuing until 1704. Of new schemes there was the purchase of the undertaking owned by the Sword Blade company, and the formation of an offshoot of this enterprize for the purchase and development of estates which had been forfeited by Jacobites in Ireland. By 1702 the capital invested in this separate venture was £200,000³. This is the first instance of the use of a charter for the carrying on of some enterprize of a totally different character from that for which it

¹ The so-called stock of the New Company was quoted at rather over 135, but 135 per cent. had been called up, so that it was only a little over par—*vide infra*, II. pp. 168, 169, 185.

² For the details, *vide infra*, II. pp. 169–76, 187, 188, 189–90, 206.

³ *Ibid.*, III. pp. 436, 437.

was granted in the first instance¹. Such a method was quicker and probably cheaper than the obtaining of a new grant; while, after the repressive legislation against stock-jobbing, it may not have been easy to obtain charters for companies which were capitalized with shares. In 1703 the London Bridge and City Conduits companies were amalgamated with a capital of £150,000, originally divided into shares of £500².

Of the miscellaneous companies in England most of those which had survived the crisis of 1695-7 still continued to exist. Two of these were removed from the list in 1703, these being the Tapestry Makers and the company formed to carry on the Fire-Insurance office founded by Barbon. The latter may have been transferred to a new undertaking known as "the Phoenix³." The chief remaining companies in this group include the water supply organizations, the Copper Miners, probably Dockwra's copper company, the Royal Lustring, the Blue Paper undertakings and the society for the Assurance of Widows and Orphans⁴.

The return of prosperity gave opportunity for certain fraudulent practices connected with companies. The Mine Adventurers had started with an inflated capital, constituted in a manner calculated to appeal directly to the gambling disposition. Every artifice was adopted that would aid in the inflation of the price of the shares; and, by an arrangement made between the deputy-governor and the manager, false information was insidiously circulated⁵. From the year 1702 the management of the Royal African company had adopted financial methods, which were all but fraudulent. Debts had been incurred, and more capital was needed. Ostensibly calls were made on the stockholders for which bonds were given, but, at the same time, the payment of dividends was resumed. The effect of this practice was that the proprietors received back a part of the sums, recently subscribed, while they ranked as creditors for the whole amount⁶.

From the summer of 1701 to 1704 there were three years of prosperity. Though war had been declared against France in May 1702, it was discovered that the effect of hostilities on trade had been, at first, less than had been anticipated. While it was necessary to increase taxation, the national credit was in a better condition than it had

¹ The company known as *Captain Poyntz and Company for planting the Island of Tobago* (*vide infra*, III. pp. 416, 417) also carried on several distinct enterprises and that at an early date. This company however was authorized by a foreign grant, not by an English charter.

² *Ibid.*, III. p. 15.

³ *Ibid.*, III. pp. 119, 377.

⁴ *Ibid.*, II. pp. 433, 437, III. pp. 7, 15, 26, 32, 33, 60, 72, 84, 85, 390.

⁵ *Ibid.*, II. pp. 447, 448, 450, 451.

⁶ *Ibid.*, II. pp. 28, 29.

been since the Revolution¹. At this time, the repayment of the engrafted stock of the Bank of England was the barometer by which the position was judged; and, from 1702 to 1704, large amounts of this stock were extinguished. Another favourable factor was the tentative amalgamation of the East India companies which removed a long-standing source of irritation. Trade at home was active, while that abroad was much above the low level, touched during the previous war. As compared with a total foreign trade of 13½ millions in 1700-1, the figures for 1702-3 were 11¼ millions and for 1703-4 close on 12 millions².

Though the number of companies in existence in 1703 was much less than ten years before, the stock or share capital had almost doubled. In making this estimate, it is necessary to take several different considerations into account. Many of the companies had borrowed large amounts on bond, but there is no information sufficiently complete to enable this class of obligation to be included. At least two undertakings were wound up in 1703, and this fact renders it advisable to make the calculation at the end of that year. But, owing to the involved history of the settlement between the East India companies, by this date the amount of share-capital of the New Company was apparently reduced, through a large block being held by the Old Company in its corporate capacity³. Therefore, the situation can be presented more clearly and, on the whole, not less accurately, by adopting the capital of these two bodies as it stood in 1702 just before the signature of the Indenture Tripartite. Fortunately, the number of companies, where information as to the finances is wanting, is comparatively small. Regarding these there is a change which must be noted. The smaller concerns had disappeared; and therefore, in averaging the capital to be assigned to those which remained, it is advisable to increase the sum estimated for each in 1695. Finally, since details of nominal capital are liable to be misleading (owing to some of the stocks being quoted at considerable discounts or premiums) the average market price for 1703 is added in certain cases:

¹ *An Estimate of the Comparative Strength of Great Britain during the present and four preceding Reigns and of the losses of her Trade from every War since the Revolution*; by George Chalmers, London, 1794, pp. 85-7.

² Whitworth, *State of the Trade of Great Britain*, *ut supra*.

³ *Vide infra*, II. pp. 171, 188.

Share capital, paid up or taken as paid up, of the undermentioned companies (exclusive of loans) in 1703.

England :

Foreign Trading Companies

Governor and Company of Merchants trading to the East Indies (the Old Company) ¹ [120 $\frac{3}{4}$]	1,574,608
The English Company trading to the East Indies (the New Company)—1702	
Original stock [186 $\frac{3}{4}$]	1,662,000
Additional stock ²	581,700
	<hr/> 2,243,700
The Royal African Company ³ [17]	1,101,050
The Hudson's Bay Company ⁴	31,500
<i>Banks</i> The Bank of England	
Original stock [132 $\frac{3}{4}$]	1,200,000
Engrafted stock outstanding ⁵	592,039
	<hr/> 1,792,039
The Million Bank ⁶ [83 $\frac{1}{2}$]	320,000

Water Supply Undertakings

The New River, York Buildings, London Bridge and five others ⁷	500,000
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Miscellaneous

The Convex Lights Company ⁸	25,600
The Royal Lustring Company ⁹	60,000
The Sword Blade Company—undertaking for the development of land in Ireland ¹⁰	200,000
The Mine Adventurers ¹¹ [about 20]	245,240
The Charitable Corporation ¹²	20,000
Six other companies, estimated at £7,500 each	45,000
Total capital of English companies	<hr/> 8,158,737

Scotland :

The Company of Scotland trading to Africa and the Indies (the Darien company)—42 $\frac{1}{2}$ % called up on £400,000 (actually paid)	153,631
The Soaperie, Sugarie, Bank of Scotland and Roperie	35,033
Twenty other companies at £5,000 each	100,000
Total paid up capital England and Scotland	<hr/> 8,447,401

Taking into account the loans of the chief companies and allowing for the existence of others, not included in the foregoing list, it is highly probable that the whole capital (nominal) of the undertakings in existence at the end of 1703 in Great Britain, was in excess of

¹ *Vide infra*, II. p. 177.

² *Ibid.*, II. p. 171.

³ *Ibid.*, II. p. 33.

⁴ *Ibid.*, II. p. 237.

⁵ *Ibid.*, III. p. 219.

⁶ *Ibid.*, III. p. 279.

⁷ *Ibid.*, III. pp. 9, 15, 25, 26, 32, 33.

⁸ *Ibid.*, III. p. 59.

⁹ *Ibid.*, III. pp. 75, 89. It is possible (as mentioned below, III. p. 85) that the value of a part of the assets may have been returned to the shareholders.

¹⁰ *Ibid.*, III. p. 437.

¹¹ *Ibid.*, II. p. 456.

¹² *Ibid.*, III. p. 380.

10 millions sterling. It is to be remembered, too, that the great increase between 1695 and 1703 took place in spite of legislation, intended to restrict dealings in stocks and shares. As far as it is possible to ascertain the effect of such measures, it appears that they tended to reduce the number of small companies and to concentrate attention upon the securities of the great undertakings. This view is confirmed by the action of the South Sea company in 1720, which resulted in the issue of the writs of *scire facias* and which was expressly intended to encourage speculation in the stock of that venture by suppressing it in other shares¹.

In the last months of the year 1704 there were the premonitory symptoms of another crisis. It became clear that the war would be protracted, and merchants began to complain of losses of shipping. At home the tension between England and Scotland had become serious. There were rumours that, after the passing of the act of Security by the Scottish Parliament, an army was being raised for service against England. Commerce between the two countries was interrupted, partly by the fears of the merchants, partly by restrictive legislation². In Scotland, more particularly, the shock to confidence was soon felt. The collapse of the Darien company had occasioned widespread losses which the stockholders could not afford³. From 1695 to 1699 the harvests had been bad, provisions were dear and there was much distress⁴. The highly protective policy, judged necessary to encourage the new manufactures, produced retaliation; and, when Scotland was largely excluded from foreign markets, the failure of the colonizing scheme showed that no outlet for her products was to be found in plantations⁵. These circumstances reacted on the recently established manufactories, many of which could no longer find a market for their goods⁶. There was a general want of ready money, and failures were numerous⁷. The scarcity of cash was so great that the Newmills company adopted the extraordinary course of making advances to its shareholders on account of the future dividends, which were expected to be due to them, but which were not yet declared⁸. The unrest in

¹ *Vide infra*, III. pp. 324, 325.

² *Hist. and Proceedings of the House of Commons*, III. p. 436; *An Accompt Current between Scotland and England*, by J[ohn] S[pruel] 1705, p. 1.

³ *Vide infra*, II. p. 221.

⁴ *On the Price of Wheat at Huddington from 1627 to 1897*, by R. C. Mossman, Edinburgh, 1900, p. 28.

⁵ *Scotland's Interest: Or the great Benefit and Necessity of a Communication of Trade with England*, 1704, pp. 5, 6.

⁶ *Scottish Historical Review*, I. pp. 184-6.

⁷ *Records of a Scottish Cloth Manufactory*, pp. 222-356.

⁸ *Ibid.*, pp. 245, 248.

the last months of the year 1704 made those, who had money at call in the Bank of Scotland, anxious to have the actual cash, and withdrawals were in excess of lodgments. In December there was a report that the current coins would be recalled, and the Bank was forced to suspend payment on December 18th. The same events produced demands on the Bank of England, and there was a considerable fall in the stock. The crisis was avoided for the time by the issue of interest-bearing bills, but the uncertainty continued during the years 1705 and 1706. Besides the unrest in Scotland, there was the pressure of the war and the consequent losses to merchants, while there were fears of a French expedition which might effect a landing in one of the disaffected districts. Alarm was general amongst the owners of capital, and the position of the Bank of England was endangered. In both these years it was only able to pay 7 per cent. annually out of profits, or 1 per cent. less than the interest received from the State. This reduced distribution suggested the inference that either great losses had been made or that the situation was so grave that profits must be withheld to maintain the credit of the institution. The effect of these adverse influences on the price of the chief stocks was very marked. That of the Bank of England, which had touched 138 $\frac{3}{4}$ in 1703—a relatively high quotation during a great war—fell steadily from the winter of 1704, and all through 1706 it was below par. The crisis seemed to be over in 1707, although the depression continued; but, even after the Union had been completed, there was great dissatisfaction in Scotland¹, and in February 1708 there came an actual descent by the French, the news of which produced another crisis in London, accompanied by a run on the Bank of England and a great fall in the price of stocks. Owing to the incompleteness of the record of quotations in 1708, it is impossible to determine whether lower prices were touched at this time or in 1706, indeed the whole period from October 1704 to March 1708 must be regarded as one of very great depression, during which there were frequent crises, the most serious of which were those from September to November 1706 and in February and March 1708. The following table shows the extent of the depreciation between 1702 and 1708:

¹ *A Brief View of the late Scots Ministry; and of the Reasons the Scots had to wish for a Deliverance from them by the Union, 1709*, in Somers' *Tracts* (1751), xv. p. 230.

Comparison of the Highest Prices of the undermentioned Stocks from 1702 to 1704 with the lowest from 1705 to 1708¹.

	Bank of England	Old East India company	New East India company
Highest Price 1702-04	138½	139½	260
Lowest Price 1705-08	76½	87½	234
	62½	52	26
	45 %.	37 %.	10 %.

Though the East India companies, owing to special circumstances in their position, were to a large degree exempt from the full effect of the crisis, other undertakings were not so fortunate. The Sword Blade company had issued bills on the security of its purchases of land in Ireland, and it had thus realized the proposals of 1696 for a land-bank. Its competition had affected the Bank of England, and in 1708 it was in difficulties². The position of the Mine Adventurers was much worse. This company had started banking in Wales, and on March 17th, 1708, it was either forced to suspend payment or else it fraudulently refused to meet its obligations³. This suspension was one of the causes of the act passed in this year in favour of the Bank of England, which conferred on it a monopoly as against corporations, but not against individuals or partnerships, not exceeding six persons in number⁴.

Another instance of default has to be added, also arising out of the crisis of 1708, namely that of the Royal African company. Until 1707 meagre dividends were paid, but these were made out of capital. In the following year it was no longer possible to find money to pay the interest on the bonds, and these obligations fell from 80 to 30; while the stock, which had sold at the average price of about 17 from 1701 to 1706, relapsed to 4½ in 1708 and to a fraction over 2 during the next four years⁵.

¹ The Million Bank is omitted in this table, since, though its stock also declined, the fall was partly due to causes other than the crises.

² *Some Reasons against the clause for Restraining all Corporations but the Bank of England from keeping cash or borrowing money payable on demand*, p. 1 [Brit. Mus.

712. m. 1]²⁸]; *Vide infra*, III. p. 438.

³ *Vide infra*, II. pp. 452, 463.

⁴ *Ibid.*, III. p. 438.

⁵ *Ibid.*, II. pp. 29, 35.

CHAPTER XIX.

THE AMALGAMATION OF THE EAST INDIA COMPANIES, THE REORGANIZATIONS OF THE ROYAL AFRICAN COMPANY AND THE MINE ADVENTURERS, AND THE CRISIS OF 1710.

THE long period of depression which had begun in 1704, began to pass away in the middle of April 1708. Bank of England stock was 111½ on March 24th, and by the 12th of April it had risen to 128. During the same period the improvement in the securities of the India companies was comparatively small, owing to circumstances connected with the final amalgamation which was due to take place a year later. The transition from a time of crises to one of moderate confidence, culminating in great speculative activity in certain directions towards the end of 1710, is to be assigned to the belief that there were fewer indications pointing to a success of the Jacobite activity. Important political advantages were expected to accrue from the Union with Scotland, and shipping was less subject to capture by the privateers of the enemy. At the same time the continuance of the war was a factor tending to restrict the prosperity which might otherwise have been experienced. The problem of providing money was becoming increasingly difficult, since the crisis had restricted borrowing by the State, in fact the total funded debt at the end of 1708 was only slightly in excess of what it had been in 1701. This result was reached through new loans being made, when a portion of the borrowings on account of the former war had been paid off¹.

It is only to be expected that the long continued depression would have affected most of the companies already established. The Union with Scotland had most important consequences in relation to the

¹ Funded debt 1701	...	...	...	...	£4,726,017	17	6
1705	...	...	...	...	4,087,498	4	10
1708	...	...	...	...	4,777,243	0	0

—*History of the Earlier Years of the Funded Debt, from 1694 to 1786* [C. 9010], pp. 15-17.

industries there. These had all been founded on the basis of an exclusively Scottish commercial policy; and, after 1707, the competition of English products had to be faced. In cases where Scotland was deficient in natural or acquired advantages it was found impossible to resist this competition; and, in particular, the companies, founded to manufacture fine cloth, were unable to hold their ground, and within a few years most of these were wound up, the property of the Newmills undertaking being sold in 1713¹. There were however some exceptions, the chief of which were the Sugaries and the Soaperie, the former indeed continued to do very well². The Bank of Scotland was flourishing. It paid a dividend of 20 per cent. early in 1709³; and, at that date, shares were sold at a premium of close on 100 per cent., representing an advance of over 20 per cent. since 1706. Finally, the repayment of the whole capital of the unfortunate Darien company, together with interest, was a most valuable aid towards lessening the great scarcity of capital, which had depressed Scottish industry since 1700⁴.

In England about twenty companies are known to have survived the crisis. There were the four foreign trading organizations⁵, two banks⁶ and eight water-supplying undertakings⁷. Of miscellaneous ventures there remained the Convex Lights, which still obtained contracts for street-lighting⁸, and the Royal Lustring company. The latter probably gained to some extent from the war though its trade was injured partly by a falling off in demand for *alamodes* and partly by smuggling. Its shares however were very steady at the reduced level reached in 1698, being about half the issue-price in 1706⁹. Amongst mining ventures there were the society of Mineral and Battery Works, which had continued by this date for upwards of a century and a half¹⁰, the company of Copper Miners¹¹ and the Mine Adventurers¹², though the latter could only continue its operations by undergoing a reconstruction. Then there were also the land-development undertaking of the Sword Blade company¹³ and the Charitable Corporation¹⁴.

Erroneous financial methods were responsible for the difficulties of at least three undertakings, namely the Royal African, the Sword Blade

¹ *Vide infra*, III. pp. 157, 158, 160.

² *Ibid.*, III. pp. 132, 137.

³ *Ibid.*, III. pp. 268, 274. This dividend was earned mainly in 1708.

⁴ *Ibid.*, II. p. 225. For the general effect of the Union on Scottish industry *vide Wealth of Nations*, I. chapter XI. Pt. III. (ed. Cannan), pp. 221, 222.

⁵ *Vide infra*, II. pp. 29, 174, 187, 191, 234.

⁶ *Ibid.*, III. pp. 224-6, 282.

⁷ *Ibid.*, III. pp. 7, 15, 26, 32, 33.

⁸ *Ibid.*, III. p. 60.

⁹ *Ibid.*, III. p. 89.

¹⁰ *Ibid.*, II. p. 427.

¹¹ *Ibid.*, II. p. 433.

¹² *Ibid.*, II. pp. 453, 454.

¹³ *Ibid.*, III. p. 437.

¹⁴ *Ibid.*, III. p. 380.

companies, and the Mine Adventurers; and, from 1711 to 1713, there were in two cases reconstructions and in the third a winding up.

The effect of the improvement in credit is shown in the development of the Bank of England and the amalgamation of the East India companies. These events are of very great interest and importance, partly in aiding the financing of the war, partly, too, as showing the cumbersome methods by which rearrangements of capital were made. The repayment of the engrafted stock of the Bank of England had been completed in 1707, and thus it may be remarked that this stock both began and was extinguished during a time of crisis.

The original capital of the Bank was £1,200,000, the amount engrafted was an odd sum of over a million and the total in 1697 was £2,201,171.10s. It might be thought that the directors would have taken advantage of the repayment of the engrafted stock in 1707 to have eliminated from their capital account the odd pounds and shillings. However at this time more resources were required to enable the Bank to circulate Exchequer Bills, and it was decided to bring in fresh capital and to fix the amount of stock in 1708 at the same sum at which it had stood from 1697 to 1707. This was effected by making a call of 50 per cent. on the total of the original and engrafted stock. By this means the funds received brought the capital above the amount that was looked upon as fixed, and the difference was returned to the stockholders¹. The improvement in credit enabled the Bank to call up money from the proprietors as required. On February 22nd, 1709, lists were opened for a new subscription at 115 equal to the existing capital, and the whole amount was applied for inside four hours. In 1710 a further call was made, bringing the total stock at that date up to £5,559,995. 14s. 8d.²

The capital arrangements in the East India trade from 1703 to 1708 were much more complex. At the later date, there were no less than seven distinct stocks in existence. First of all there was the capital of the Old Company and also its bonds. Then there was the stock of the two million loan to which the monopoly of the trade was attached. Under the arrangement of 1702, one half of the total, divided between the two companies, was now the stock of the English company which might be sold in the market, while the other half was held by the committees of the Old Company in trust for that company in its corporate capacity. Further, there were the bonds of the New Company and its old additional stock, which was in process of repayment under the terms of the Indenture Tripartite. Lastly came the "new additional stock of the committee of management," which constituted

¹ *Vide infra*, III. p. 224.

² *Ibid.*, III. pp. 227, 243.

the actual trading capital, and which again was held in trust by that committee, in equal moieties on behalf of the two companies, to be transferred to them when the amalgamation was completed. This stock, it may be recalled, was begun, by handing over to the managing committee the assets in India, consisting of the dead stock, of each company, and it was increased by equal calls from either body¹.

The position in 1708 will be comprehended most easily in relation to the widespread over-valuation of a "fund of credit," which became common after the Revolution and which produced disastrous results in 1720. The old East India company had worked on a stock, subscribed by the members, which constituted the bulk of its trading capital. The subscription of the two million loan by the new organization provided no working capital, and a further issue of stock was made for this purpose. But, under the Indenture Tripartite of 1702, this old additional stock was to be extinguished before the final union of the companies. Therefore the committee of management, while it was freed from the debts of the two undertakings, was left without floating capital to carry on the trade, except in so far as the dead stock, vested in it in trust, constituted a nucleus, and to this the funds called up from the companies were added. To obtain resources for meeting these calls neither body had powers to add to the stock, sanctioned by the act of 1698, and therefore each had to borrow by its bonds on the security of the debt due to it by the State. It follows then that, although the funds raised by the committee of management were described as "the new additional stock," these were ultimately of the nature of bonds and that the companies were the intermediaries between that committee and the investing public. As a preliminary to the dissolution, both of the Old company and of the committee of management, there came the act of 6 Anne c. 17 (which authorized the creation of £1,200,000 stock, to be added to that already existing) and the award of Lord Godolphin (September 29th, 1708). Under these instruments, the additional stock was converted into 6 per cent. bonds of the United company, and these bonds were divisible to the Old and the New companies in equal parts. Each undertaking was entitled to distribute such bonds to its creditors or its stockholders. In this way, the bonds of both the Old and the New companies disappeared, and there remained only bonds and stock of the United company and the stock of the Old company. At this point a difficulty arose. The share of the bonds of the United company, receivable by the Old company together with its remaining assets, did not suffice to pay its debts, and a call of 25½ per cent. was necessary. Then, when the debts had

¹ *Vide infra*, II. pp. 169-71, 177, 181, 182, 188, 191, 206.

been discharged, the stock of this body was exchanged for that of the United company, and the charter of the former was surrendered. The proportion of United stock to be received was a little larger than that surrendered, so that the members of the Old company had a small nominal addition made to their holdings¹.

The broad effect of these financial methods had been to make the India trade supply the exigencies of the State to such an extent that for seven years there had been a great want of free capital to carry on the ordinary commercial operations, for which the undertaking was supposed to exist. Thus, while it appears that the capital employed in the India trade was much more than it had been twenty years before, as a matter of fact it was very much less, owing to almost all the subscribed stock and much of that borrowed on bond having been lent to the government.

The formation of the United East India company in 1709 suggests the enquiry as to how its predecessors had fared as investments. The New company had existed altogether, prior to the union, for eleven years, and it had traded independently from 1698 to 1702. Its financial methods were comparatively prudent, and up to 1702 only moderate dividends were paid on the old additional stock which was entitled to the profits. Under the Indenture Tripartite, this stock was to receive the proceeds of the assets which had been employed in trade; and, though the record of divisions is not complete, those that have been recorded show that the proprietors received more than they had originally invested². After 1702 the position of the original stock was changed. Up to the date of the Indenture Tripartite it had been analogous to a fixed charge on the total income, whereas afterwards it became an ordinary stock, ranking both for the interest paid by the government and for its share of the profit made by trade. Under these circumstances it is not surprising to find that the quotation appreciated. Up to the date of the agreement of July 22nd, 1702, the highest price touched was 154, while from that date to 1708 the maximum was as high as 272 and the lowest was 151 $\frac{3}{4}$, while from 1704 to 1708 it was never less than 200. The cause of this high level is to be found partly in the over-estimation of the advantages of the amalgamation and partly (to which extent it was justified) in the addition of about two-thirds to their holdings in the United undertaking which members of this company were to receive in 1709³.

Naturally the chief interest rests with the outcome of the Old company as an investment; and, in an undertaking with a history extending over fifty years, much will depend on the date at which

¹ For the details of this arrangement *vide infra*, II. p. 176.

² *Ibid.*, II. p. 187, 188.

³ *Ibid.*, II. p. 189.

stock was acquired. It will be necessary, therefore, to select for this enquiry certain typical transactions, neglecting purchases of stock both at extremely high and low prices. First of all there is the position of an original adventurer or his representatives. Supposing him to have paid in £100 from 1658 to 1660, he would have had this doubled in 1682; and, on his holding of £200 nominal in 1708, he would have paid the call of $25\frac{1}{2}$ per cent., so that his total investment would have cost from first to last £151¹. The holding of £200 in the Old company was converted in 1709 into £200. 17s. 9d. of United Stock, which, at the mean price of that year, could have been sold for £248. 10s., to which is to be added £972. 10s. of dividends from 1662 to 1708, making a total return of £1,221 as against a cost of £151 or a gross profit of £1,070. Since the dividends paid on the stock are included, allowance must be made for interest on the capital to obtain the nett profit. Neglecting compound interest and taking only average rates roughly, namely 6 per cent. from 1660 to 1690, 8 per cent. from 1690 to 1700, 5 per cent. from 1700 to 1705 and 6 per cent. from 1705 to 1709, this allowance would amount to £309; yielding a nett increment of the capital of £761².

Next an investor, who bought £100 stock at £300 in 1690, by a similar calculation, would have sustained a nett loss of capital of £472. 5s. or over 150 per cent. in the nineteen years. Again the person, who subscribed to the new issue in 1693, would have made a

¹ *Vide infra*, II. pp. 176-9.

² *Calculation showing the position of an original Adventurer (or his representatives) in the Old East India company (1658-1709):*

1658-60	£100 Stock ...	100	0	Dividends to 1682	$440\frac{1}{2}\%$ on £100	440	10
1681	100 „ bonus ...	-	-	„ „ 1691	200% „ £200	400	0
	200 „			„ „ 1708	66% „ „	132	0
1708-9	Call of $25\frac{1}{2}\%$...	51	0	Value of £200. 17s. 9d. stock			
1709	£200 Stock converted into £200. 17s. 9d. stock of United company			in the United company at the middle price of 1709 ($123\frac{3}{4}$)		248	10
	Gross profit ...	1,070	0				
		1,221	0			1,221	0
Allowance for interest (simple)				Gross profit ...			
	30 years at 6% on £100 ...	180	0				
	10 „ „ 8 „ „ ...	80	0				
	5 „ „ 5 „ „ ...	25	0				
	4 „ „ 6 „ „ ...	24	0				
	Nett Profit ...	761	0				
		1,070	0				

nett loss, on this basis, of £40. 5s. in sixteen years, while a purchase at 50 in 1699 would have resulted in a nett profit of £86. 5s. in the ten years or an average increment per annum of over 17 per cent.

It will thus be seen that an investment, made in East India stock up to 1680, would have yielded a nett increment of capital on the basis of the middle price of 1709 for the equivalent security of the United company. At any of the recorded quotations from 1682 to 1693 there would have been a nett loss. To have made a nett profit from 1695 to 1699 the investor must have bought at 50 or below this figure; while no one, who acquired stock at the quotations of 1703 to 1707, could have gained a nett increment of his capital. As compared with the position of a purchaser of Old East India stock from 1697 to 1707, the members of the Bank of England, who subscribed the engrafted stock, were more fortunate. They received their capital back again inside ten years with an addition of at least 35 per cent., while some, who like Sir Gilbert Heathcote took advantage of the great advance in quotations and sold at a premium, easily doubled the original investment, besides receiving a respectable return in either case as long as they held the stock¹.

From another point of view further light is obtained on the methods of dealing with share capital from the reorganizations of the Royal African company and the Mine Adventurers. Both operations belong to this period, though, owing to the delay in obtaining the acts of Parliament that were necessary, the latter was not completed until 1711 and the former till 1713. In neither case was there any prospect of the company being able to pay its debts in its existing condition; and, by the act 14 Charles II. c. 24, creditors had no recourse against the stockholders of the African company. Parliament took the view that the so-called bonds of the Mine Adventurers were essentially of the nature of share-capital, though possessed of a certain priority as compared with the remainder. Making allowance for this fact, both reorganizations proceed on similar principles up to a certain point, namely in so far as persons in the position of *bona fide* creditors (that is, those to whom the Mine Adventurers were indebted and the bondholders of the African company) received new share-capital in full for the amounts of their claims. Then the owners of bonds, issued in the lottery by which the Mine Adventurers company was floated in 1698, had their holding reduced by one-fifth and new shares were given for the remainder. The other securities of each (namely the stock of the African company and the shares of the Mine Adventurers) were dealt with on different principles. The latter were written down by one-third only²;

¹ *Vide infra*, III. pp. 211-24.

² *Ibid.*, II. p. 456.

while African stock was cancelled to the extent of 90 per cent., and, before the balance could be converted into new stock, the holders were forced to pay an assessment of 50 per cent. thereon. So far from this disparity of treatment being inequitable, there is in it a rough measure of justice. From 1702 the shareholders of the African company had been receiving dividends, while calls were being made on them for which bonds were given. Such devious finance had two consequences, first that this series of dividends was made out of capital and secondly, as affecting the reorganization, if these bonds as well as others were to be accepted at their par value for exchange into new stock, the shareholders should be compelled to make restitution of what they had received in dividends since 1702. This adjustment was effected by the assessment of the reorganization; which, though 50 per cent. on the new capital, was only 5 per cent. on the old. Now the dividends paid from 1702 to 1707 came to $4\frac{1}{2}$ per cent., so that the effect of this part of the settlement was to force the members to refund the distributions which had been wrongfully made¹.

This reorganization would have brought the holding of an original adventurer in the company formed in 1662 close to vanishing point. Supposing £100 to have been invested in 1662, the arrangement of 1671-2 would have left it at only £10, which was written up to £40 in 1691 and was now reduced to £4. It may be noted that while the reorganization was in progress the highest price of the stock was about 4 for £100 nominal and that for a year afterwards it averaged 52, so that at the latter quotation the market value of what remained of the £100 invested in 1662 was only about £2. The position of the adventurer, who subscribed at the formation of this company in 1672, was for practical purposes as bad, though his percentage of loss was much less. This £100 would be converted into £400 in 1691 which was written down to £40 in 1713 and was then worth about £20. The loss is so clear that it would be useless to add how much it was increased by the cessation of dividends. Since the assessment of 1713 may be off-set against the distributions, wrongfully made from 1702 to 1707, the position was in effect that no profits had been divided since 1692, and further allowance has to be made for the depreciation of such payments as had to be met in response to the calls from 1702 to 1708 which were now converted into stock².

The increases of capital by new subscriptions of the chief companies between the middle of 1708 and before the end of 1710 are indications that this period was one of modified prosperity. Prices of stocks rose, and there was an advance in the dividends distributed. For instance

¹ *Vide infra*, II. pp. 31, 35.

² *Ibid.*, II. pp. 19, 28, 29, 31-5.

the United East India company increased its rate to 9 per cent. for the year 1709-10; and, during the period from September 1708 to March 1710, the Bank of England divided as much as 28½ per cent.¹ While these events show that there was a considerable activity in trade at this time, it is probable that the improvement in confidence was largely based on the expectation of an early peace, and that therefore to that extent it discounted the future. This estimate of the inner meaning of the situation is confirmed by the state of British foreign trade. The total imports and exports (including those of Scotland) in 1709 and 1710 averaged less than 11 millions as against over 10½ millions annually for England alone between 1705 and 1707. Therefore it appears that the improvement consisted chiefly in the restoration of confidence and a renewal of hope. Such a revival, finding comparatively small scope in the legitimate extension of existing industries, tended to branch out in an altogether new direction. Already for several years past attention had been paid to insurance schemes. Thus in 1706, the *Amicable Society* for life-insurance was established², and before 1708 Charles Povey had founded two undertakings known as the Exchange House Offices which were purchased by the company of London Insurers, whose business was better known as the *Sun Fire Office*, which still exists. The original capital paid up in 1710 was, as far as can be ascertained, under £1,000³. In 1709 a company known as that of the *London Insurers upon Lives* was started⁴. These enterprizes appealed mainly to the impulse towards thrift; but insurance, as yet being in its infancy, had another side which met and became intermingled with one of the main tendencies of the time. Wagering was not only a fashionable amusement, it was also an important interest amongst all classes, and it entered to a considerable extent into many business transactions. Since the outbreak of the wars with France, the course of trade had been vitally affected by the progress of hostilities. Therefore, there arose the anomaly that it was often the prudent business man who apparently made wild bets upon the Exchange. For instance, suppose an operator in the stock-market had an account open for the rise, and he expected an advance in quotations would follow the success of the arms of the allies in a battle that was anticipated. To protect himself he would wager, apparently unpatriotically, that they would not achieve a victory before a certain date. By covering his risk in this manner, he reduced the maximum gain he might have made, but at the same time he minimized his loss. If British arms succeeded within a given date, and his other calculations were well founded, he had the profit on his operation in stocks; if on the other

¹ *Vide infra*, II. pp. 200, 206, III. pp. 226-8, 245.

² *Ibid.*, III. p. 390.

³ *Ibid.*, III. pp. 381, 382.

⁴ *Ibid.*, III. p. 394.

hand there was no battle or if the enemy had the advantage, he was able to recover on his bet. Almost all important financial and commercial transactions were influenced by the progress of the campaigns and similar wagers were frequent. Moreover, when the mercantile public had become inured to risks, there arose a disposition to risk money on what were purely matters of chance. Instances of this tendency are to be found in the Lottery Loans of 1694 and 1710 and the floatation of the Mine Adventurers company by similar methods in 1698¹. It was the uniting of these two tendencies—on the one side the insurance idea on the other the willingness to risk money on a pure chance—during a period of moderate credit when the usual channels of investment in trade were not specially promising, that produced the insurance boom of 1710. During a period of about a year there was great activity in what was virtually a gambling in life-contingencies. Professedly provident schemes, these insurance offices (of which over two hundred were opened in London) would never have attracted the public had it not been for the speculative element involved. In most cases these were organized, on the tontine principle, as what are known as “dividend societies,” that is they bound themselves to divide all the premiums received, less a certain moderate charge for management, amongst those members who had qualified according to the conditions laid down. Most of the offices were at coffee-houses, and probably the proprietors considered themselves reimbursed for the moderate charge for management by the amount of additional custom they obtained. The most important contingencies provided for (each by separate groups of undertakings) were the payment of a sum on marriage, on the birth of a child, on the completion of apprenticeship and to domestic servants who had remained for a specified period in one place. The speculative element arose from the variation in the number of claimants at a given date, and it sometimes happened, especially at the beginning, that they received sums very many times in excess of the premium paid. Such cases were advertized in the papers and new offices were formed with reckless profusion, while “policies and premiums were in the mouths of all. It was the El-dorado of the London craftsman, the alchymy of the needy tradesman².” Such schemes, hurriedly formed and without adequate supervision, were subject to the risk of fraud on two different sides, either by the managers or by the claimants. Within a few months many offices failed, and there is evidence that marriages were effected solely to qualify for the distribution to be made at a certain date³. There was a special objection

¹ *Vide infra*, II. pp. 445-7; III. pp. 275, 290.

² *Annals, Anecdotes and Legends of Life Insurance*, by John Francis, London, 1853, p. 66.

³ *Vide infra*, III. pp. 369-72, 391-4.

to such undertakings from the point of view of the administration. It was thought that this easy method of gambling diverted subscriptions from the Lottery Loan of 1710¹, while the numerous failures of these societies came at an unfortunate time when credit had been again severely shaken.

The causes of the crisis, which began in the closing months of the year 1710, that can be most easily discerned were the defeat of the Whigs at the general election of that year and the collapse of the insurance boom. The new ministry did not command the confidence of the classes who had capital to invest, and it is recorded that such persons, not only themselves sold large quantities of stock, but recommended their foreign correspondents to dispose of their holdings of British securities². Another cause of uneasiness was the suspicion that had begun to become rife as to the management of the Exchequer, indeed it was stated in 1712 that the moneys, not accounted for, were as much as 36 millions, while it was well known that bribery continued in the House of Commons³. It is obvious, however, that for such action to result in a grave disturbance of credit there must have been an element of weakness in the financial situation. This is to be found in the cumulative effect of the strain on the resources of the country involved by the continuance of the war. During the first six or seven years of the struggle the pressure on the finances of Great Britain had not been sufficient to produce any greater effect than the curtailment of trade. That this was so is established by the fact that, as far as can be ascertained, the series of crises from 1704 to the beginning of 1708 were occasioned by friction between England and Scotland, indeed up to 1710 the cost of the war had not imposed any great strain on the national credit. By the terms made with the Bank of England and the United East India company in 1708-9, these institutions between them lent over 1½ millions without interest⁴, and, up to 1710, the Bank undertook to circulate more than 3 millions of Exchequer

¹ The Petition of Dorothy Petty, a director of the Union Society, printed in *The Insurance Cyclopædia*, by Cornelius Walford, i. p. 322.

² *Truth if you can find it: Or a Character of the present M—y*, 1712, p. 5; *An Essay towards the History of the last Ministry and Parliament, containing seasonable Reflections on Favourites, Ministers of State, Parties, Parliaments and Publick Credit*, 1710, in Somers' *Tracts* (1748), ii. p. 269; *The History of Great Britain during the Reign of Queen Anne*, by Thomas Somerville, London, 1798, p. 423.

³ *Truth if you can find it*, 1712, p. 11; *A Representation of the Loyal Subjects of Albinia*, 1712, p. 6; *No Punishment no Government and No Danger even in the Worst Designs*, 1712, p. 5; *An Inquiry into the Miscarriages of the Four Last Years Reign*, 1714, p. 26; *The Management of the Last Four Years Vindicated*, 1714, p. 19.

⁴ This loan reduced the rate of interest on the whole debt due to the Bank of England to 6 per cent. and to 5 per cent. in the case of the East India company—*vide infra*, ii. p. 191, iii. p. 227.

Bills¹. By these temporary expedients the annual deficits were financed, and the hope of an early peace had enabled the government to meet the outstanding liabilities by contracting a large floating debt. The administration found itself unable to bear the protracted financial strain which involved an outlay of over 65 $\frac{3}{4}$ millions by March 1714². Already in 1710 many signs of embarrassment were observed, taxes granted by Parliament did not realize the estimated amounts, trade was heavily burdened, many branches of the revenue were anticipated and the salaries in the Royal Household were eighteen months in arrears³. The obligations comprised in the floating debt began to fall in value early in 1710. For instance "Army Debentures," which had been 91 in the bad years 1706 and 1707, fell below 80 in January 1710⁴. Other unfunded debts were sold at greater discounts which tended to increase during the year. Under such circumstances the Bank of England hesitated to endanger its own position by committing its credit further, and the proprietors became alarmed when it was reported that the Whig ministry was in danger of dismissal. The governor and directors waited on the Queen and urged that this course would have a disastrous effect on credit generally⁵. Between June and September successive ministers were dismissed, and, as the insurance offices began to fail, a crisis was reached in November and December, when all the leading securities touched the lowest prices since 1707. The following table shows the extent of the fall as compared with the highest quotations in 1709 and 1710:

Comparison of the highest price of the undermentioned securities from 1707 with the lowest in 1710.

	Bank of England	Army Debentures
Highest quotation in 1709 (except in the case of Army Debentures where the quotation used was recorded in 1707)	135	91
Lowest quotation in 1710	95 $\frac{3}{4}$	72
	<hr/>	<hr/>
	39 $\frac{1}{4}$	19
	29%.	21%.

During the crisis some of the unfunded securities fell to low prices, and the average discount appears to have been close on 40 per cent.⁶

¹ *History of the Earlier Years of the Funded Debt*, ut supra, p. 69.

² *A Report from the Commissioners appointed...to take the Publick Accounts*, 1714, in Somers' *Tracts* (1748), II. p. 113.

³ *An Essay towards the History of the last Ministry*, 1710, in Somers' *Tracts* (1748), II. p. 268.

⁴ *Vide infra*, III. p. 439.

⁵ *Ibid.*, III. p. 229.

⁶ *Ibid.*, III. pp. 293, 297.

Even Exchequer Bills were at one time below par to the extent of 3 per cent.¹; and a contemporary writer, after describing credit as "having been for some years the nation's happy guest," recorded the current opinions that the nation was exhausted, there "was a famine of funds and we are at a full stop²." Another writer speaks of the "remarkable coldness" shown by investors towards all public securities³. The situation was considered so alarming that early in January 1711 an arrangement was made with the Bank of England, under which, in consideration of receiving £45,000 from the State, the company undertook to cash all Exchequer Bills of a certain issue at face value. The effect of this agreement was that the discount was transferred from the holders of the Bills to the national finances, and it was clear that such a measure could be no more than a temporary expedient. In the meantime it sufficed to re-establish some degree of confidence in these obligations, and all the Exchequer Bills current began to appreciate. The discount, which had been as much as £1. 12*s.* per cent. on January 19th, 1711, was below 1 per cent. from the 26th to the 31st. Up to February 12th it rose again till 1½ per cent. was quoted, and thereafter it fell rapidly, being under ½ per cent. in the beginning of March, only ⅓ per cent. on the 9th and ⅒ per cent. on the 10th⁴.

Owing to the circumstances under which the elimination of the discount on Exchequer Bills was manipulated, this event cannot be taken as representative of a general improvement in credit. Other securities gained ground to some extent, but the crisis may be said to have lasted until the beginning of March 1711, when an act was passed dissolving the societies, recently established for the insuring of certain life-contingencies. Apart from Exchequer Bills, other stocks recovered only slowly from the low level of the previous December. For instance the six per cent. bonds of the East India company, which were quoted at 97¼ on January 19th, 1711, were 96⅔ to 96⅞ until the end of February and repeated 97¼ on March 9th, rising to 97¾ on the 23rd but relapsing again to 97¼ at the end of May. By March 12th Bank of England stock had advanced from 95¾ (quoted in November) to 106½, but the whole of this gain was not maintained. The prices of stocks remained comparatively low until the end of August, after which date an improvement began that inaugurated a long period of prosperity.

¹ *History of the Last Four Years*, p. 177.

² *An Essay upon Publick Credit, being an Enquiry how the Publick Credit comes to depend upon the change of the Ministry or the Dissolution of Parliament*, London, 1710, pp. 9, 15, 17.

³ *A Letter to a Friend in which is shewn the Inviolable Nature of Publick Securities*, London, 1717, p. 32.

⁴ These quotations are taken from the *Post-man*.

CHAPTER XX.

FROM THE RETURN OF CREDIT IN 1711 TO THE CULMINATION OF THE BOOM IN JUNE 1720.

IN September 1711 there came two events, which were instrumental in the restoration of credit. These were the signature of the first preliminary articles for peace negotiations and the arrangement made for dealing with the unfunded debt. No doubt, ultimately, a return of peace was a most important element towards industrial progress, but, in the actual circumstances, the funding of the floating debt was even more satisfactory, and the fact that such an important operation could be carried through was in itself testimony to the return of confidence. The method by which this transaction was accomplished was precisely the same as that adopted in the floatation of the engrafted stock of the Bank of England¹, and it closely resembled the type of capitalization adopted in the land-development undertaking of the Sword-Blade company (which was wound up just about this time²). The parallel to the engrafted stock is especially close. Both in 1697 and in 1711 unfunded obligations were at a great discount, being worth only from 60 per cent. to 70 per cent. of the par value. In each case it was decided that these should be accepted at their nominal amounts, as capital subscribed for the stock of a trading company—in 1697 for the Bank of England and in 1711 for a new undertaking incorporated as *the Governor and Company of the merchants of Great Britain, trading to the South Seas and other parts of America and for Encouragement of the fishing*³. The only differences between the two operations were that in 1711 a new company was formed and that the sum dealt with was much larger. In this case, moreover, the capital of the South Sea company was permanent, but subject to redemption; whereas the engrafted stock of the Bank of England was intended to be cancelled within a few years.

The foundation of the South Sea company was not an isolated event; on the contrary, it represents the culmination of a financial

¹ *Vide infra*, III. pp. 210, 211.

² *Ibid.*, III. p. 437.

³ *Ibid.*, III. p. 295.

policy (which was common to both political parties) and which had been in vogue since the Revolution. On the one side there was the idea of the utilization of capital lent to the State as "a fund of credit" on which loans could be raised by an incorporated body for its trading operations. This principle was at the root of the foundation of the Bank of England¹ as well as of the New and the United East India companies².

Apparently by this method both the State and its incorporated creditors gained. The unfunded debts were due for repayment, and no resources were available for meeting these obligations. Therefore it was inevitable that such securities should be sold at a great discount, and that the national credit should be bad. If, however, such obligations were funded as redeemable debts, it was believed that interest at 6 per cent. could be paid thereon, and there was the prospect of discharging the liability in the future. The effect of the operation was to add over 9 millions to the funded debt, which was increased from 4 millions in 1705 to 25½ millions in 1712³.

The attractiveness of the proposal to the holders of floating debts is shown by the appreciation of these obligations on the scheme being mooted, and by the unanimity with which it was accepted. Undoubtedly the prospect of gain to the individual investor was great. He had before his mind the outcome of the subscription of tallies into the stock of the Bank of England, where a depreciated security, which was not receiving interest, had been transformed into an appreciated one, returning a satisfactory yield⁴. At the worst he had the advantage of exchanging an unprovided-for-debt for one which ranked for interest on a fund that was moderately secured, and, in addition, there was the hope that the income, receivable from the State, would be augmented by profits made in trading. Therefore there appeared to be a reasonable probability that, by the conversion of the unfunded debts into South Sea stock, there would be a considerable addition to the capital value of the former, which may be estimated to have been only about 68 per cent. on the average of the nominal amount early in 1711⁵.

The relief of the money-market from the pressure of the floating debt tended to produce a more sanguine spirit, and as it began to be recognized that peace was assured, enterprize broadened out, and an era of prosperity began which continued until 1720. Foreign trade expanded to a remarkable extent. The total British imports and exports, which had been under 11 millions in 1710 increased by about

¹ *Vide infra*, III. pp. 204-7.

² *Ibid.*, II. pp. 165, 180, 191.

³ *History of the Earlier Years of the Funded Debt from 1694 to 1786* [C—9010], 1898, pp. 16, 17.

⁴ *Vide supra*, p. 381.

⁵ *Vide infra*, III. p. 297.

a million in each of the three following years, reaching 14½ millions in 1714, a figure approximately double that of 1697. Profits were relatively high. The Bank of England had been forced to reduce its dividend after the crisis of 1710 to 7 per cent.; and, up to the end of 1714, the distribution was raised to 8 per cent. This rate was more satisfactory than would appear at first sight, since the interest receivable from the State was now 6 per cent. instead of the original 8 per cent.¹ The Bank of Scotland for the three years 1712-13, 1713-14 and 1714-15 divided no less than 30 per cent. annually, and its stock realized 227⅔². The old-established insurance companies gained some assistance from the compulsory closing of the ultra-speculative offices in 1711. The Sun Fire office was able to pay a dividend in 1713³, and in the following year a new undertaking in the same department was started, which was called *the Union or Double Hand-in-Hand Fire Office*⁴. Another new company, organized on the basis that had been so common twenty years before, was established in 1713 as *the Governor and company for making and vending Beech Oil*. In this venture the capital was divided into classes, one part, the owners of which were known as "the annuitants," being entitled to a fixed and preferential charge on the profits, while the balance was divisible amongst the remainder which was described as "the shares," the owners of which were called "the sharers⁵."

The tide of prosperity was checked in its flow from the end of January 1714 to the beginning of April. Probably the activity of trade had made considerable demands on the supply of capital available, and any untoward incident would produce a greater effect than when business was dull. The shock came from a baseless announcement of the death of Anne; and for a short time there was great uneasiness, which culminated in a run on the Bank of England. It is to be remembered that the dissemination of misleading information had been practised for more than twenty years by unscrupulous operators in stocks⁶; and what made the report of 1714 remembered was partly the spectacular means by which it was circulated⁷, and partly the fact that it brought to light the prevalent anxiety concerning the succession. Owing to the frequent mention of the episode by contemporary writers, some recent students of convulsions in credit have treated this disturbance as the most serious one between 1708 and 1720⁸. As compared with the crisis of 1710 the short period of excitement in 1714 was less intense, the fall

¹ *Vide infra*, III. pp. 230-3, 245.

³ *Ibid.*, III. p. 384.

⁵ *Ibid.*, III. p. 116.

⁷ *Vide infra*, III. p. 232.

⁸ *Des Crises Commerciales*, par Clément Juglar, Paris, 1889, p. 294.

² *Ibid.*, III. pp. 269, 274.

⁴ *Ibid.*, III. p. 379.

⁶ *Vide supra*, p. 358.

in stocks was only half as great, and the recovery afterwards was very rapid. For these reasons, the disturbance in credit early in 1714 can at the worst be described only as a minor crisis, and it may be doubted whether it was sufficiently grave to be named a crisis at all. The following comparison of the prices of stocks at the lowest during the depression of 1710, at the highest in 1713 and again at the lowest from January to April 1714 will show the extent of the rise in 1713 and of the fall at the beginning of the following year:

Comparison of the lowest prices of Stocks in 1710 with the highest in 1713 and with the lowest in 1714.

	Bank of England	Differ- ence	East India Co.	Differ- ence	South Sea Co.	Differ- ence
Lowest price in 1710 ...	95 $\frac{3}{4}$					
Amount of fall from highest price, 1709-10 ...		-39 $\frac{1}{4}$				
Highest price in 1713 ...	130 $\frac{1}{4}$		128 $\frac{3}{4}$		97 $\frac{1}{4}$	
Amount of rise from lowest price, 1710 ...		+34 $\frac{1}{2}$				+19 $\frac{3}{4}$ *
Lowest price, 1714 (Jan. to April) ...	116 $\frac{3}{4}$		116 $\frac{3}{4}$		83 $\frac{3}{4}$	
Amount of fall from highest price, 1713 ...		-13 $\frac{1}{2}$		-12		-14 $\frac{3}{4}$

* From estimated par value 1711.

Not only was the fall comparatively small, but the rebound was rapid. By August of the same year, most of the securities had advanced in price beyond the highest quotation of the previous year; and, before the end of September, all of them (save the Royal African company) showed a substantial improvement on the best figures of 1713.

For just a year—from August 1714 to the same month in 1715—business was good and the stock market was strong. The accession of George I. and the return of the Whigs were accepted in the City as highly satisfactory events. There remained however at least one element of uncertainty, namely the possibility of action by the Jacobites. The danger of an insurrection tended towards caution, and in foreign trade there was a considerable decline, from the total reached in 1714, during the following year¹. Judging from the state of the stock-market, the position at home was one of marking time. Thus Bank of England stock for the first eight months of 1715 fluctuated about 130, which had been a common high level during periods of prosperity since 1702. This attitude of expectancy and of financial preparation

¹ This decline was attributed by many writers to the clauses relating to commerce in the Treaty of Utrecht—*Truth, Truth, Truth*, 1715, pp. 10-20.

was effective in minimizing the consequences of the Rebellion, news of which was received in London before the end of October. The enterprize of John Freke, a stock-broker, has provided a complete record of the change of prices, not only in the securities of public companies, but also of such funds as were dealt in at the time¹. The total fall from the highest quotations of 1714–15 to the lowest recorded from October to November 1715 was between 12 per cent. and 14 per cent. in the stocks of the Bank of England, the East India and South Sea companies and the Million Bank. During the same period the decline in the annuities, guaranteed by the State, was from 8 per cent. to 10 per cent.² By far the heaviest sufferer amongst the companies through the Rebellion was the Bank of Scotland, which was forced to suspend payment and was unable to pay any dividend for the year 1715–16³.

Comparison of the highest prices of stocks of the undermentioned companies from 1714 to 1715 with the lowest in 1715.

	Bank of England	East India Company	South Sea Company	Million Bank
Highest price in 1714, 1715...	134½	144¾	101½	100
Lowest price from October to December 1715	115	126	88	88
Fall	19½ 14%	18¾ 12%	13½ 13%	12 12%

The main effect of the minor crises at the beginning of 1714 and at the end of 1715 had been to prevent the development of the prosperity, which had begun in 1711. During the whole five years, there had been a series of oscillations between certain narrow limits, which is very clearly marked in the fluctuations of Bank of England stock:

Fluctuations of Bank of England Stock 1711–15.

	1711–13	1714–15	To end of Feb. 1716
Maxima—	130½	134½	130½
Minima—	1714 (April) 116¾	1715 (Nov.) 115	

From the middle of 1716 the progress, which had been arrested by the uncertainties of the two previous years, was resumed; and, apart

¹ *The Prices of the Several Stocks, Annuities and other Publick Securities &c. with the Course of Exchange*, by John Freke, Broker. A specimen sheet of this list is reproduced in vol. III. pp. xiv, xv.

² For instance the Annuity of 1708, secured on the old tonnage, was quoted at 15½ years' purchase in the earlier period and at 15 years' purchase in the later one.

³ It was stated the cause of the suspension was political, rather than financial, *vide infra*, III. p. 269.

from some alarm occasioned amongst holders of public debts by Walpole's proposals for a re-arrangement of the loans¹, the outlook was promising until the end of 1717. Trade was very active, the total imports and exports amounted to close on 15½ millions, as compared with 14¼ millions in 1714, the highest point hitherto reached. The great volume of business gave full employment for the recent accumulations of capital, and the rate of interest was comparatively high. Some of the Long Annuities, which had been issued in 1707 and 1708 during a period of depression and when the pressure of the war was severely felt, and which gave a return at the issue price of 6¼ per cent., yielded at the quotations of the summer of 1716 close on 6⅔ per cent., but, owing to the advance of the market in these securities at the end of the year, the return was reduced to 5¼ per cent.² The income per cent. given by the stocks of the Bank of England, the Million Bank, the East India and South Sea companies varied from £6. 5s. per cent. to 5⅝ per cent., while the average return of the five securities was just over 6 per cent.³ Bank stock was as high as 157½⁴ (the maximum as yet recorded), while East India stock touched 210 at the end of 1717⁵. In view of the fact that interest was greater in 1716 than it had been during a considerable part of the period of the war, the advance in quotations is a strong testimony to the general feeling of confidence. The years 1716 and 1717 represent the culmination of the era of prosperity which had begun in 1711, and as such afford a convenient opportunity for forming an estimate of the share-capital of the companies, which are known to have been in existence at this time. The following statement is confined to English undertakings, since there are not sufficient data to justify the inclusion of the Scottish organizations. Amongst the latter the Bank of Scotland still had a paid up capital of £10,000 sterling, and there remained the sugar-refining partnerships, the soaperie, and probably the roperie also⁶. The Union had had the effect of destroying such of the woollen manufactories as had not changed their product from fine to "coarse" cloth; but the admission of Scotsmen to the plantation trade had opened up a highly prosperous commerce between the West of Scotland and the colonies, most of the capital for which was provided by small companies. Thus of 67 ships, owned in the Clyde in 1735, no less than 63 belonged to companies, some of which are returned as the owners of five

¹ *Vide infra*, III. pp. 298, 299.

² For particulars of these loans *vide infra*, III. p. 292, and for the prices, *The Prices of the Several Stocks, Annuities and other Publick Securities &c.*, by John Freke, 1715, 1716.

³ *Vide infra*, II. p. 206; III. pp. 244, 245, 280, 287, 360.

⁴ *Ibid.*, III. p. 244.

⁵ *Ibid.*, II. p. 206.

⁶ *Ibid.*, III. pp. 132, 137, 174, 175, 269.

vessels¹. Unfortunately there are no details available as to the capital or organization of these firms.

The Share-Capital of English companies in existence in 1717.

Hudson's Bay company ²	...	...	...	£ 31,500
Royal African company ³	...	(about)		450,000
The Bank of England ⁴...	...	...	...	5,559,995
The Million Bank ⁵	...	...	...	320,000
Water-supply undertakings ⁶	...	...	...	500,000
Mine Adventurers ⁷	...	...	...	270,540
The Sun Fire Office ⁸	...	...	(about)	12,000
The Charitable Corporation ⁹	...	...	...	30,000
The Convex Lights company ¹⁰	...	...	...	26,500
The United East India company ¹¹	...	...	...	3,194,080
The South Sea company ¹²	...	...	...	10,000,000
The Beech Oil company ¹³	...	...	...	226,000
				<hr/> £20,620,615

The increase of over 150 per cent. in the share-capital of companies in England since 1703 must be viewed in relation to the peculiar form of the joint-stock type of organization at this period. It must always be remembered that, owing to the financial policy of successive governments, the share-capital did not mean resources that were available for trade. As yet the South Sea company had found no outlet for its resources; and, in the main, its stock, which amounted to close on one-half of the total of more than 20½ millions, was simply the equivalent of an equal amount of government debt. Similarly, the actual trading resources of the East India company were less than the sum, which had been lent to the State and which was treated as the stock of the undertaking since 1709. From the point of view of trade at any given time, the importance of the companies, which had lent capital to the government, could be best estimated by the amount of loans that they

¹ *E.g.* "John Lyon and company" owned 5 ships, also "Buchanan and company," "Somervilles and company"—*The History of Glasgow*, by James Gibson, Glasgow, 1777, p. 210.

² *Vide infra*, II. pp. 232, 237.

³ *Ibid.*, II. p. 31.

⁴ *Ibid.*, III. p. 243.

⁵ *Ibid.*, III. p. 279.

⁶ It might at first sight appear that the valuation of the water companies should be advanced since 1703; but, owing to competition amongst them, profits had not expanded to any considerable extent since 1700. Between that year and 1720, the dividend of the New River company increased by less than 1½ per cent. (*ibid.*, III. pp. 26, 31) while some of the other undertakings had lost ground.

⁷ *Ibid.*, II. p. 456.

⁸ *Ibid.*, III. p. 385.

⁹ *Ibid.*, III. p. 380.

¹⁰ *Ibid.*, III. p. 59. There is no information as to whether there had been any change in the amount of the capital of this company.

¹¹ *Ibid.*, II. p. 206.

¹² *Ibid.*, III. p. 360.

¹³ *Ibid.*, III. pp. 116, 117.

themselves had borrowed, since such loans would represent their actual trading capital at that period, and this method could be applied, with certain modifications, to the case of the Bank of England. At the same time, the limitation of the enquiry to the ascertaining of the trading capital only would present but one side of the financial position, since the massed holdings of government debt by an incorporated company enabled it to increase its borrowings to a considerable extent at need, and in addition it was able to obtain credit to a large amount, without actually executing bonds in favour of the creditor.

While to all appearance the period of prosperity still continued in 1718 and 1719, there were underlying causes which point to a slackening in the great activity of trade. The state of tension between Great Britain and Spain caused prudent men of business to curtail their operations, and the wisdom of this course was shown by the actual outbreak of hostilities later in 1718. Capital was comparatively plentiful and the rate of interest on the five representative securities already referred to¹ was about 5 per cent. as compared with 6 per cent. approximately in 1716. The yield on the Long Annuities of 1708 and on East India stock at the middle prices of 1718 was under 5 per cent.², while the bankers of the South Sea company fixed the rate of interest on an overdraft up to £100,000 at 4 per cent.³ With capital relatively plentiful and the rate of interest ruling comparatively low, the prices of Bank of England, East India and Million Bank stocks were higher than in 1717, and all these securities touched the highest quotations, as yet recorded, in the first quarter of 1718⁴. The rumour of an invasion, arising out of the war with Spain, affected public securities from October 8th to 10th, 1718, and a fall from the highest records of the year in the stocks of the chief companies is recorded varying from 7 per cent. to 14 per cent., while the quotations of the Long Annuities receded during the same period, on the average, about 10 per cent. and those of some of the Short Annuities by as much as 15 per cent. ✓

There is a certain symmetry in the progress of British commerce from 1711 to 1719. The maximum of activity was reached about 1716 and on each side of this point there were two minor crises—those of 1714 and 1715, before the culmination was reached, and again two more in 1717 and 1718, when the activity had begun to slacken. The circumstances, already indicated, explain the phenomenon of a declining volume of trade in 1718 and 1719, accompanied by an advance in the ✓

¹ *Vide supra*, p. 393.

² Freke, *Prices of the Several Stocks*, 1718; *vide infra*, II. p. 206.

³ Court Book of the South Sea Company, Dec. 12, 1718, British Museum—Add. MS. 25,498, f. 77.

⁴ *Vide infra*, II. p. 206, III. pp. 244, 287.

prices of stocks. The following statement shows in a condensed form the check to the upward movement by the alarms of March 1717 and October 1718, together with the rise on balance:

Comparisons of the Quotations of various stocks between October 1716 and November 1718.

	Bank of England		East India company		South Sea company		Million Bank	
Highest price, 1716 (Oct.)	148		188		110 $\frac{1}{4}$		—	
Lowest price, 1717 (Jan. to March)	131 $\frac{1}{2}$		158 $\frac{1}{4}$		95 $\frac{1}{4}$		104	
Difference		-16 $\frac{1}{2}$		-29 $\frac{3}{4}$		-15		—
Highest price, 1718 (Jan. to March)	161 $\frac{3}{4}$		219 $\frac{1}{2}$		120		126	
Difference		+30 $\frac{1}{4}$		+61 $\frac{1}{4}$		+24 $\frac{3}{4}$		+22
Lowest price, 1718 (Oct.)	140		183		103 $\frac{7}{8}$		118	
Difference		-21 $\frac{3}{4}$		-36 $\frac{1}{2}$		-16 $\frac{1}{8}$		-8
Highest price, 1719.....	158		214		127 $\frac{3}{4}$		126	
Difference		+18		+31		+23 $\frac{7}{8}$		+8

In the year 1719 there were several conditions, which were likely to result in considerable speculative activity in the stock-markets. Owing to the checking of the enterprize in 1718, capital appeared to be relatively plentiful, and the rate of interest was low. Moreover, there were some pre-conceptions, which had entered almost unconsciously into the methods of business-organization and which, when carried to their logical issues in an environment favourable to them, would inevitably lead to wild speculation. The chief of these was the series of conclusions, drawn from the potency of "a fund of credit." In order to grasp the full import of the situation, it is necessary to remember that the extensive utilization of credit was new, and that contemporary observers noticed that, by this agency, business had been immensely extended, and the results achieved were viewed with amazement. Thus a writer of the period speaks of "the mysteries, or indeed miracles wrought...things as incredible as the greatest impossibility in nature could be thought to be, things that now they are done they are as a dream to those that see them¹." It is little wonder, then, that the idea of a fund of credit was described as "a mine of gold," or as "realized alchemy²." Such ideas were not confined to Great Britain, but were shared by the chief trading nations. Everywhere, when men considered how enterprizes had been started and had been carried on successfully by the using twice over of the same wealth, it came to be thought that the process was capable of

¹ *The Chimera*, London, 1720, p. 60.

² Quoted by Bastable, *Public Finance*, p. 662.

infinite extension. But, while these ideas had been growing, various causes prevented any very great effort being made to realize the gains that were popularly expected to flow from the organization of a fund of credit on a vast scale until 1719. Still, it must always be remembered that the dramatic events of 1719 and 1720 represent only the inexorable conclusion from a series of premisses almost universally accepted; and, since these ideas were not confined to a single country, their practical realization became an incident of considerable importance in European history. Thus the crisis of 1719-20 constitutes simply the attempt to realize an unconscious ideal of the indefinite expansibility of a fund of credit.

In Great Britain, since the Revolution, this ideal had been gathering importance. In addition to the land-bank schemes of 1695¹, the finances of every important company had been determined by it. Not only was all the capital subscribed by the members of the Bank of England lent to the State, but, in addition, a further sum was taken from the deposits of customers. Thus none of the share-capital was available for the business of banking, and the loan, made by the Bank to the State, became in fact a fund of credit to support the operations of the institution². Similarly, in 1695 and as long as the Million Bank carried on banking operations, it had to depend, not on its share-capital, but on the fund of credit, constituted by the original subscription of scrip of the Million loan³. Moreover, once the system had been started, it was found capable of extension. The engrafted stock of the Bank of England was formed by the valuing of government obligations, which were selling at the time at a discount of about 35 per cent., at their nominal value. Apparently the operation was justified, for those who converted their tallies into engrafted stock secured a large profit by the transaction⁴. Similarly the whole influence of Parliament, as affecting the East India trade, tended again and again to force this branch of foreign commerce to depend solely on capital lent to the State. In 1698 the right of trading to India was confined to subscribers to the two million loan. When the New East India company had raised a trading capital by its additional stock, it was forced under the Indenture Tripartite to cancel it, and therefore the joint committee of management was compelled at the beginning of its career to rely solely on the resources it could borrow on the security of the loan to the State. Finally, when the union of the two companies was completed in 1709, the trading capital, raised by the committee of management, was once more merged in a State-loan. Thus on three different occasions, within the space of eleven years, the East India trade was compelled by the

¹ *Vide infra*, III. pp. 246-52.

² *Ibid.*, III. p. 207.

³ *Ibid.*, III. pp. 276, 277.

⁴ *Ibid.*, III. pp. 213-24.

✓ State to rely on a fund of credit¹. At the root of the various schemes for an increase of the circulating medium, propounded in Scotland from 1699 to 1705, there is the same idea of a fund of credit. Though none of the proposals were adopted, this agitation is of special interest, since one of the plans emanated from John Law and was in many respects similar to that carried out by him in France. Then again in England, one aspect of the land-bank scheme was adopted by the Sword Blade company, which issued notes on the security of lands it had purchased in Ireland². It was in 1711 that the most ambitious development of the idea of the fund of credit was realized, when the South Sea company was incorporated, with a nominal capital of over 9 millions. Like the engrafted stock of the Bank of England, the South Sea capital was formed by the conversion of various depreciated government securities into the stock of the trading company. Similarly in France in August 1717 the *compagnie d'Occident* was formed, under the auspices of Law; and, exactly as in the case of the South Sea company, stock was obtained by subscribing depreciated obligations of the State. The only difference between the two floatations was that in France the securities subscribed were at a much greater discount. This fact becomes an interesting commentary on the fears, expressed in England for a number of years before the Revolution, as to French commercial supremacy. At the end of the reign of Louis XIV., through a variety of causes, the country was bankrupt. Even after a drastic cancellation of debt, it was found impossible to pay interest regularly at 4 per cent. on the remainder. Moreover, the system of taxation and its amount imposed a crushing burden on the industry of the country. Owing to the default of the government, its securities were immensely depreciated. Even the re-organized debt was at a discount of close on 75 per cent.³ Thus, while the original nominal capital of the *compagnie d'Occident* was 100 mil. livres in shares of 500 livres each, or approximately 5 millions sterling in shares of £25, the securities, exchanged into that nominal capital, were worth no more than 30 mil. livres or £1,500,000. Therefore in 1717 the relative positions of the South Sea company and the *compagnie d'Occident* were as follows:

¹ *Vide infra*, II. pp. 165, 170, 171, 185-7, 191.

² *Ibid.*, III. p. 438.

³ *Recherches et Considérations sur les Finances en France depuis 1595 jusqu'en 1721*, par F. Véron de Forbonnais, 1758, VI. p. 274. Elsewhere the depreciation in 1717 is given at between 68 per cent. and 70 per cent.; *Memoirs of the Life of John Law*, by John Wood, Edin. 1824, p. 36.

Nominal and real par value of the capital of the South Sea Company and the Compagnie d'Occident in 1717.

	Nominal capital	Approximate market price of securities, exchanged into the nominal capital
South Sea company	£10,000,000	£6,800,000
Compagnie d'Occident...	100,000,000 livres	30,000,000 livres = £1,500,000

As yet, although South Sea stock had never fallen below what may be described as its real par value, it had never for long been maintained above the nominal par value¹. It follows that the process of reducing the "watering" of the stock of the compagnie d'Occident was one which was likely to be protracted, since the discount on the French obligations, converted into the stock of the trading company, was more than twice as large as that on those similarly exchanged in England in 1711. In other words, the situation may be conveniently remembered by fixing on the figure 68 which represents the estimated *actual market value* of the securities exchanged for South Sea stock and also the minimum *discount* on those converted into shares of the compagnie d'Occident. Under these circumstances it is not surprising that, while the shares of the latter undertaking were worth more than the billets d'état which had been exchanged for them, they still remained much under the nominal par. For about a year the price did not exceed 300 livres for the share of 500 livres². While such a quotation constituted a satisfactory advance for the person, who had purchased 500 livres of billets d'état to subscribe at 150 to 160 livres, the financial position of the company cannot be described as flourishing, when its stock sold at only 60 per cent. of its nominal amount. Still, towards the end of the year 1718, the company had strengthened its position. Like all other ventures founded on a fund of credit, arising out of obligations of the State, this undertaking was a creditor of the government to the extent of the billets d'état, exchanged as against its shares; and, through the influence of Law with the regent, the Duke of Orleans, interest was paid regularly to the company, whereas the previous irregularity continued in the case of similar securities which had not been exchanged. Further, on September 14th, the tobacco farm was acquired, and on December 15th the assets of the compagnie du Sénégal were added. The same process of consolidation was continued. In May 1719 these undertakings were amalgamated with the compagnie d'Orient and the compagnie de la Chine and the title of the series of consolidations became the compagnie des Indes. Then further in June 1719 the compagnie d'Afrique was

¹ *Vide infra*, III. pp. 297, 360.

² *Law, son Système et son Époque*, par P. A. Cochut, Paris, 1853, p. 60; *Recherches Historiques sur le Système de Law*, par E. Levasseur, Paris, 1854, pp. 91, 92.

acquired¹. Thus it may be said that, in the period extending from the summer of 1718 to that of 1719, the energies of Law were mainly directed towards the organization of the whole foreign trade of France with America and the East by means of a single joint-stock company. While these efforts were sufficiently striking, there was another mode of extending the sphere of operations of a great joint-stock company, which was adopted in England by the South Sea company; and which, while less remarkable at the moment, contained the germ of the great financial transactions during the latter part of 1719 and in the following year. This was the offer of the South Sea company to convert into its stock the Lottery Loan of 1710; and, though a bonus was given both to the annuitants and to the State, the company succeeded in making a profit of £72,800 on the transaction². The importance of this operation, which extended from February till July 1719, consists in its appearing to prove that, when a fund of credit had been established by a company, further assistance could be rendered to the State, through such a company undertaking extensive conversions of the public loans into its own stock to the mutual profit of all the interests concerned.

In the month of May and the early part of June, there was a remarkable coincidence in the prices of South Sea and French Indies stock. At that time both stood at a trifle over 10 per cent. premium on the nominal par value. At this date the capital of the latter undertaking was in process of being increased by one half, in order to provide funds for the expropriation of the shareholders in the various foreign trading companies recently bought up; and, for this purpose, an issue of 50,000 shares was made, at 550 livres per share, or a premium of 10 per cent. It is to be noted that the issue price was payable in cash in instalments; and that therefore, expressed in terms of cash, these shares cost more than three and a half times the sum required to obtain the billets d'état which were accepted at face value in 1717. The following figures summarize the positions of the two companies at this date:

Relative positions of the South Sea Company and the Compagnie des Indes at the date of the first issue of capital by the latter.

	Nominal capital	Market price
South Sea Company	11 $\frac{3}{4}$ mil. £s	110
Compagnie des Indes 125 mil. livres (partly paid) = 6 $\frac{1}{4}$ mil. £s		110

While South Sea stock was never quoted above 117 during the summer of 1719, there was a rapid advance in the price of the shares

¹ *Mémoire sur la Situation actuelle de la Compagnie des Indes*, par M. l'Abbé Morellet, Paris, 1769, pp. 21, 22.

² For the details *vide infra*, III. pp. 301-3.

of the French Indies company. In the first instance this undoubtedly arose from the relations of the shares, just created, to the old ones. The payment on the former was divided into twenty equal monthly parts of the capital value, with the addition of the premium to the instalment first due. Thus the original outlay for a share was only 75 livres¹. Moreover already the securities of Law's company were selling at three and a half times the value of the obligations subscribed, and it was believed that further developments were to be expected. Therefore any one, who had 600 livres in cash, might either buy one original share or he might take the risk of purchasing eight of the new issue, trusting that there would be a rise in price which would enable him, by selling part, to pay the calls, as they became due, on the remainder. Thus, in the former case, an advance of 15 per cent. would yield him a profit of that amount, whereas, if he adopted the second course he might, under the same conditions, more than double his capital. For this reason, purchases of the new issues became frequent; and, as the price advanced, the demand increased, until before the end of June the new shares were sold at a price equivalent to 1,000 livres for the old share, while the latter was sold at 630 livres. Obviously the situation was an artificial one, and in time, had events been allowed to take their course, the premium on the new shares would have gradually been reduced. But Law had committed himself to a course of inflation, and he decided to force the old shares up to the level of the new issue. This was effected by an arrêt of June 30th, which made it a condition for the valid ownership of one new share that the purchaser should possess four original shares. Since the latter were regarded as giving birth to the scrip of the second issue, they were described as "*les mères*" and the others as "*les filles*"; and, in a short time, the former were quoted at 1,000 livres, that is twice their face value, and no less than seven times the cash equivalent of the billets d'état, subscribed two years before. Had the series of new developments ceased at this point, it is probable that the inflation in the market-price of the shares would have been gradually reduced, but in July there came the edict transferring the Mint to the company, with the issue of a further 50,000 shares, to pay the sum agreed upon to the Regent. This brought the total nominal capital to 150 mil. livres (or approximately $7\frac{1}{2}$ millions sterling). These shares were issued at 1,000 livres and were offered for subscription for cash, subject to the condition that, to obtain the allotment of a single share of the third issue, it was necessary to produce titles to the ownership of four "*mères*" and one "*fille*." Hence the last emission was described as "*les petites filles*." At the same time a dividend of

¹ *I.e.* the premium of 10% = 50 livres and the monthly instalment of 25 livres.

12 per cent. was promised for the year 1720, which would give a yield of 6 per cent. at the market price, or 50 per cent. more than the interest paid by the State. If this dividend could be justified, it is clear that there was room for a further advance in quotations, but the revenue of the company from known sources would have been insufficient to pay it. Therefore, either Law was deliberately misleading investors, or else there was a new scheme in the background, which would add to the power and resources of this all-embracing company. That there was such a project is shown by the events of September. The crown of Law's operations consisted of a double scheme, the execution of which extended from the last days of August into October. On the one side, the company was authorized to become the sole agent of the government for the collection of revenue, thereby displacing the wasteful sub-division of farms of the taxes. Thus Law, having consolidated the foreign trade with tropical countries, now proceeded to a further consolidation of the fiscal system; and, by the sweeping away of vast intermediate profits, it was calculated that the taxpayer, the administration and the company would gain¹. But the increase of revenue on a scale of reduced taxes was not the only benefit reserved to the government. It was a condition of the transfer of the farms to the company that it should lend to the administration, at 3 per cent., a sufficient sum to repay the creditors of the State. Since the interest, previously fixed for these loans was 4 per cent., there was thus a saving of 25 per cent. The result of this arrangement was that the company incurred an obligation to find 150 mil. livres or about 7½ millions sterling, a sum equal to its whole nominal capital. Further that amount was payable to the creditors in cash or in drafts on the State-bank, which were to be accepted in lieu of cash, and the company was bound to provide funds in a similar form. As matters stood, there was just one method by which the operation could be accomplished, namely by a creation of new shares of the company, and also, as a temporary measure, of a great quantity of bank-paper. If the shares of the company were sufficiently popular, the creditors, when paid in bank money, would exchange such notes against the new shares, and the paper would return to the company and would pass again from the company to the bank in payment of its loan to the latter. Thus the final effect of the scheme would be, supposing the whole plan worked without a hitch, the conversion of the loans into stock of the company, while the State would in future have only one creditor instead of many and would save in the interest required for the service of the debt. Law himself summarized the whole method of

¹ The benefit to the people, by the withdrawal of oppressive taxes, is dealt with by Prof. J. S. Nicholson in his "Essay on John Law of Lauriston" in *A Treatise on Money*, London, 1901, p. 187.

conversion in the following terms:—"L'intention de la compagnie était que ceux qui seraient remboursés fissent acquisition des actions qu'elle exposait en vente au-dessous de leur juste valeur et qu'en s'assurant à elle-même une rente fixe contre toute événement, l'État fût libéré et les rentiers enrichis¹." In the effecting of the conversion, much depended on the price at which shares in the company were offered. Under the stimulus of the spirit of speculation, which had been by now aroused and the prospects opened up by the grant of the farms of the taxes, the shares had advanced to 5,000 livres or ten times their nominal value. It was therefore decided that the capital of 150 mil. livres should be doubled, and that the new issue should be offered at 5,000 livres per share, payable in instalments, without any restriction as to the previous possession of shares of the earlier series. The first payment being 500 livres, this issue was distinguished from the others by the name of the "cinq cents." Further, since the 150 mil. livres of new capital was offered at ten times its nominal value, the amount receivable for it in bank-money was exactly equal to the sum of the debts to be paid off and also to that to be lent by the company to the State. Finally, if the whole amount of "cinq cents" was taken up at the price of 5,000, the conversion would be complete, and those who had formerly been creditors of the State (or their assigns) would now be shareholders in the company, whose total capital was 300 mil. livres (or 15 millions sterling²).

This operation was a brilliant success. As had happened in the case of the "filles," the "cinq cents" very soon acquired an additional premium of no less than 3,000 livres, while the earlier issues relapsed from 5,000 to 4,000, thus the former were quoted at twice as much as the latter. As before, instead of the "cinq cents" relapsing to the price of the "mères," that of the latter advanced to the new high level. On this occasion there were no fresh important developments, and the inflation was due in the main to an apparent, and to some extent to a real, plentifulness of money. In September, Paris became the Mecca of the speculators of Europe, and these men brought funds with them, so far there would be a real increase in money; but, on the other side, much of the inconvertible money, created by the bank, remained in circulation, and therefore the appreciation in the shares of the company was accompanied by and, to a large degree, was the result of the depreciation of the paper-money. Therefore, as the inconvertible paper-money sank in value, the shares rose; and, at the beginning of December, the quotation was almost double that at which the "cinq cents" had been

¹ Quoted by E. Levasseur, *Recherches Historiques*, p. 126.

² There was a further, but unauthorized, issue of 12 mil. livres which was afterwards recalled.

issued¹. At the dividend announced for the year 1720, this would yield the investor only $\frac{1}{2}$ per cent. or one-sixth of the reduced rate paid by the State. It follows that, expressed in terms of the earning power of the investment, the price was much too high; but in justice to Law, it is to be remembered that this dividend had been fixed before the recent extension of the company's operations. Additional revenue was expected to accrue from these, and the dividend for 1720 was augmented to 40 per cent., and thus at 12,000 livres per share the return was under $1\frac{3}{4}$ per cent. But it is one of the symptoms of an acute fever of speculation that prospects are over-discounted, and it is not surprising that the increased dividend was regarded, not as a support towards maintaining the already too inflated price, but as an influence to raise it still higher. After the announcement, the quotation rose to 15,180 livres, and on January 5th, 1720 to 18,000 livres. The last price represents the culmination of the boom in Paris, and constitutes a remarkable inflation. The market price was no less than thirty-six times the nominal amount of the share, and that nominal amount again was fictitious, in so far as it constituted merely the paper equivalent of billets d'état, purchasable in 1717 at about 150. Thus the original shareholder, who sold at the highest price, might have made a profit of some one-hundred-and-twenty times his capital. Such a profit, however, was to some extent one on paper. The original outlay was made in coin, whereas, after the edicts limiting the use of metallic money to very small transactions, he would be bound to take payment in paper-money which had already begun to depreciate. Regarded from another point of view, the valuation of the whole capital, taken as fully paid, would have worked out at between 500 and 600 millions sterling expressed in French paper-money. To obtain the real equivalent in British currency, it would be necessary to deduct from this estimate a sufficient sum to cover the depreciation of the French paper.

The immense speculation in Paris, during the closing months of the year 1719, was sufficiently striking to attract the attention of the mercantile classes in other countries. Speculators from Holland and from Great Britain arrived at an early stage of the boom, and many of these made large profits, while some had the prudence to return home with their gains. It was estimated that in a short period no less than 500 mil. livres in bullion had been carried to other countries in this way. There are particulars of several Englishmen and Scotsmen, who were amongst the earliest speculators, and there seems reason to infer that the Prince of Wales sent a financial agent to Paris². How far the

¹ *I.e.* expressed in terms of the equivalent price of a fully paid share, the price was from 10,000 to 12,000 livres.

² Wood, *Life of Law*, *ut supra*, pp. 73-102.

growth of speculation in London is to be assigned to the influence of that at Paris, how far it was an independent growth, fostered by similar conditions, is a question of considerable difficulty. At first sight the whole weight of evidence appears to be in favour of the former alternative. The boom in Paris reached its height in the closing days of 1719 and in the first week of 1720, while that in London was not similarly advanced until six months later. It is known, too, that Englishmen had speculated in Paris and returned to London before there seemed to be much speculative activity in England. Thus it appears that a direct personal transference of the mania can be traced. Further, the careful and exact work of French scholars on "the system" of Law and the absence of similar investigations of the parallel phenomena in England tend in the same direction. It is not unnatural that French historians of this epoch in finance should regard the system of Law as daringly original and should describe the speculation in Britain as "an imitation¹." The incomplete state of our knowledge of the financial situation in London in 1719 and 1720 undoubtedly fosters this belief. Hitherto it has been necessary to depend on the account of this time given by Adam Anderson, which is imperfect in so far as the phenomena he records are not co-ordinated, and moreover he fails to give the date or any full description of the many new promotions which he classifies². The first consideration that suggests some doubt as to whether the commonly accepted opinion should be received without further enquiry is that it contains an error in holding Law to have been completely original. He was no more than the spokesman of the exaggeration of the fund of credit. Operations, such as the conversion of the French debt in 1719, were, as already pointed out, quite common in England. It may indeed be said that Law's transactions were on a scale of unexampled magnitude, but it is to be remembered that the nominal capital of the South Sea company was but little less than that of the French company of the Indies, comparing both at the end of 1719. Another claim may be advanced, namely that Law was at least original in his method of inflating the price of his shares, but in so far as his method involved the depreciation of paper-money, there is no parallel *in actual practice* at this time in England, though *in the idea* he was anticipated by Hugh Chamberlain³. The doubts, which these various considerations suggest, become strengthened when it is discovered that there was a strong undercurrent of speculative activity in London as early as September 1719, that is

¹ Cf. Levasseur, *Recherches Historiques*, *ut supra*, p. 400.

² A chronological list of these promotions will be found *infra*, III. pp. 445-58. This table contains fewer entries than Anderson's, owing to the adoption of the principle in its compilation of including only such companies as could be dated.

³ *Vide infra*, III. pp. 204, 247-9, 260-1.

before the rise in the price of French Indies shares had become remarkable. A colour-mill company had already been successfully floated¹, and on September 19th it is recorded that a subscription of capital was being taken by the Royal Fishery company, a revival of the undertaking incorporated after the Restoration, and which had endeavoured to obtain more capital during the boom from 1692 to 1694². In October there were a number of new promotions. Another fishery company, known as "the Grand," invited applications on the 14th and, since Scottish investors were dissatisfied with the £200,000 allotted them, the capital was increased from £1,000,000 to £1,500,000³. Then came a fortnight later the undertaking of the York Buildings company for the purchase and development of forfeited estates, the nominal capital of which was £1,200,000⁴. The promotion of marine insurance companies was remarkable. About this time two companies were floated for this class of business, the one by Ram, a banker, with a capital of £1,200,000 and the other by another banker, Colebrook, with £1,000,000⁵. It is not clear whether these were amalgamated into a later venture with a capital of £2,000,000, which became the basis of the undertaking afterwards incorporated into *the London Assurance company*. There were numerous other joint-stock enterprizes connected with marine insurance. Already the company, afterwards incorporated as *the Royal Exchange*, had allotted shares between August 14th, 1717, and January 16th, 1718, and it was now carrying on business under the charters of the old Elizabethan societies of the Mines Royal and the Mineral and Battery Works. It too had a capital of over a million⁶. In addition to these, there were two other promotions, one of which was formed by Shale and another for lending money on bottomry, each with a capital of a million, floated before the end of December⁷. From October to December there were many financial companies formed to grant annuities (Nov. 21st and Dec. 29th) or for insuring lottery tickets (December)⁸. It is noteworthy that, following the divergency of practice to which attention has already been frequently directed⁹, the unit of capitalization was sometimes the number 10, sometimes 12. But what is most striking is the vast multiples used. The great majority of capitals, offered for subscription, were either £1,000,000 or £1,200,000. Only in two cases of which particulars have been preserved, was the capital less than a million, the one being "a company to encourage British manufactures" (Oct. 6th) with £100,000 and the other the lottery-ticket assurance, already

¹ *Vide infra*, III. p. 445.

² *Ibid.*, II. p. 376, III. p. 445.

⁴ *Ibid.*, III. p. 423.

⁶ *Ibid.*, II. p. 405, III. p. 398.

⁸ *Ibid.*, III. p. 445.

³ *Ibid.*, III. p. 445.

⁵ *Ibid.*, III. pp. 399, 400.

⁷ *Ibid.*, III. pp. 401, 445.

⁹ *Vide supra*, pp. 151, 341.

mentioned, with £120,000¹. In the large companies the shares were frequently of £1,000 each, but only a very small fraction was called up varying from $\frac{1}{8}$ per cent. to 1 per cent. Therefore an almost infinitesimal cash payment controlled a very large amount of nominal capital, and a brisk trade was carried on in the selling of allotment-rights at very substantial premiums on the amounts actually called up, indeed it was not long before a merchant in London stated that no business "was minded since the several subscriptions had been set on foot²." The number of promotions and their inflated nominal capital, as well as the active dealings in the shares, even before allotment, shows that before the end of 1719 there was a very considerable amount of speculation. It might be said that the fever manifested itself differently in Paris and in London. In France the whole movement centred round a single organization, whereas, at the beginning in England, it took many different forms, though showing in almost every case evidences of inflation. It is perhaps for the former reason that thoughtful observers declared emphatically that there was no danger of London witnessing anything comparable to the meteoric rise of the French Indies company. "Where is the man," it was asked at the end of 1719, "who having lent his money to the publick on the credit of Parliamentary security, will upon a whim, discharge that fund and take a precarious company of private men for the money." Elsewhere Law is described as a person, who "being first acquainted with the solid immovable state of credit in England and seeing the fluctuating manner of things in France plainly saw also how easy it was to push those things there, which he would not so much as think of in England without apprehensions of being pulled in pieces by the rabble³." It is a curious commentary on these expressions that in all probability before they were written—certainly long before the end of 1719—there were active negotiations for the conversion of the British debt. The important fact must not be overlooked that operations of this kind, as already explained, were well known in London and that in the early part of 1719 the South Sea company had made a handsome profit by converting a part of the Lottery loan into its own stock. Naturally it was desirous of repeating and extending this class of business. But there were many difficulties to be overcome in England that did not exist in France. In the first place, the French loans had been to a very great extent consolidated, whereas the British loans remained in the original forms in which they had been issued. More

¹ *Vide infra*, III. p. 445.

² *Journals of the House of Commons*, xix. p. 347.

³ *The Chimera, or the French way of Paying National Debts laid open, being an Impartial Account of the proceedings in France for raising a Paper Credit and Settling the Mississippi Stock*, London, 1720, pp. 9, 10.

especially there was the difficulty that some of those obligations were in the form of irredeemable annuities. Besides, in that portion of the loan which was redeemable, there was included the debt of the State to the three great companies. It follows that any one of these, which could secure the right of making the conversion, would be in a position to capture the business of the other two, and the first step made was the admission of the principle that the portion of the debt, lent by the companies to the State, should be exempt from the proposed conversion. This condition was accepted as early as November 1719, and it yet remained to be decided, if a conversion were to be effected, what body should be authorized to make it. An enterprize of this nature might have been undertaken either by the Bank of England or by the South Sea company. The latter, by means of lavish bribery, had secured the support of a number of the most influential members of the ministry as early as December 1719; and, although tenders were made, both by the Bank and the South Sea company in January and February 1720, there is good reason to believe that the ministry was committed to the latter body. The scheme, eventually accepted by Parliament, differed from that of Law and was in fact a repetition of that which had already been carried to a successful issue by the South Sea company in 1719¹. The conversion was to be at the option of the creditors of the State. The company was left free as to the terms it would offer to those who were to be invited to exchange their government-debt for South Sea stock. On the other hand, the respective positions of the State and the company were strictly defined. The nation admitted itself indebted to the company for the par value of all the redeemable debts converted, while "the long annuities" were to be capitalized at twenty years' purchase and "the short annuities" at fourteen years' purchase. Supposing all the loans were converted, an addition of nearly 31 millions would be made to the debt, due to the company. Further, it was agreed that the company might increase its nominal capital proportionately to the debt converted, that is, if the whole loans were exchanged, the stock would be augmented by upwards of 31 millions, making it, with the amount already issued, about $42\frac{3}{4}$ millions, or nearly three times as much as that of the French Indies company. With regard to the interest on the converted debt, after 1727, the nation would effect a saving of £420,000 a year, and in addition the company undertook to pay a bonus, dependent on the amount of debt converted, which, had all the loans been exchanged, would have been nearly $7\frac{1}{4}$ millions². The possibility of profit for the company is not apparent without further consideration. It arose from the fact that, while the nominal capital was increased *pari passu* with the debt exchanged, there was no

¹ *Vide infra*, III. p. 302.

² *Ibid.*, III. pp. 304, 305.

stipulation as to the price at which the company's stock should be rated for the purposes of that exchange. Obviously, if, as in 1719, the stock were at a premium, the quantity of South Sea stock, required to satisfy the holders of government loans, would be less than that which the company was authorized to create. Therefore such surplus stock would constitute the gross profit on the transaction for the company. The proceeds of the sale of that surplus stock at the premium would be the gross cash profit, from which was to be deducted the bonus payable to the State, and any balance remaining would constitute the nett gain. Expressed in this form, it is clear that only a very great premium on South Sea stock would give any very considerable profit, and for this reason the market during January, while active, was undecided. Moreover it was not as yet known whether Parliament would accept either of the rival conversion schemes. This uncertainty is reflected by the quotations. South Sea stock was $128\frac{1}{4}$ on January 1st, 1720, it rose to $137\frac{1}{2}$ on the 12th and closed on Saturday the 30th at $128\frac{3}{4}$ to $130\frac{1}{2}$. Bank stock on January 1st was $150\frac{1}{2}$, rising to $153\frac{3}{4}$ on the 13th, relapsing to $149\frac{3}{4}$ on the 20th and closing at 153. Judging solely by these figures (and the movements of East India and Million Bank stocks were within similar narrow limits), there was little speculative activity. But, outside the long-established companies, there was a great increase in new promotions and in the attention paid to these. In fact, during January and part of February, the new ventures, with their moderate sums called up and great prospects, absorbed the interest of speculators. The increasing popularity of these companies is attested by the growth of new enterprises, all issued with only very small sums called up. Thus at this stage, there was (to borrow an expressive American phrase) "a poor man's boom" in progress. In January companies, that can be dated, were floated with a nominal capital of over 6 millions. Two of these were fishery enterprises, two financing companies and another was intended "to encourage the growth of raw silk" in England¹. Large as was the proposed capital for the time, it becomes quite inconsiderable, compared to that of the promotions of February. In that month, taking account only of schemes that can be assigned to a definite date, there was offered for subscription a total nominal capital considerably more than the whole national debt of upwards of 31 millions, which it was proposed to convert into South Sea stock. Most of these promotions had capitals of at least a million, several of two millions and one of no less than three millions. About two-thirds of the number might be described as insurance and financial companies. The most interesting of this group is perhaps the Sadlers' Hall Insurance, which had a capital of £2,000,000 and the partly-paid shares of which sold at a premium of

¹ *Vide infra*, III. p. 446.

300 per cent.¹ The subscription list was opened on February 16th, and, later in the year, the business was transferred to the Royal Exchange company². Of the remaining ventures, there was an attempt to utilize the charters of the Mines Royal and of the Mineral and Battery Works for mining operations. It is to be remembered that one of the marine insurance companies was working under these grants, and therefore this undertaking is described as "the Grand Lessees of the governors assistants and societies of the City of London of and for the Mines Royal and the Mineral and Battery Works" (February 8th)³. Then there was a company for building or buying ships to let for freight (February 11th), and another for the Newcastle coal trade (February 23rd) which was intended, by preventing "prejudicial combinations," to save consumers 6 per cent. to 8 per cent. and to pay 8 per cent. on the capital. Three new foreign trading companies were projected, two to trade to Germany and the other to Spain. This month is distinguished from the previous December and January by the slight attention paid to fishing societies. There was only one which was intended for whaling (February 22nd). There were three other promotions one of which—a salt company—was floated on February 26th, on the ground that an increased production of salt would be required by the development of the fishing trade. To these may be added two rather bizarre schemes, the one "for furnishing funerals to any part of Great Britain" (February 19th) with a capital of £1,200,000 and the other (February 20th) with £2,000,000 was partly a sanitary, partly a saltpetre undertaking⁴.

The whole financial situation in London during February was highly important in determining future events. The South Sea company was likely to obtain the privilege of converting the debt, but the necessary act had not yet been passed. It was calculated that, with South Sea stock at 130, the company could convert the debt, pay the bonus to the State and retain a considerable profit⁵. If, therefore, the stock was

¹ I.e. the share, with 5s. paid, at £1—*Journals of the House of Commons*, xix. p. 347.

² *Vide infra*, III. p. 408.

³ The full titles under the charters of James I.; *ibid.*, III. p. 446.

⁴ *Ibid.*, III. pp. 446, 447.

⁵ According to Archibald Hutcheson, with South Sea stock at 125, the nett cash profit would have been £480,000, with the stock at 150 it would have been £3,707,500—*Some Calculations relating to the Proposals made by the South Sea Company and the Bank of England* (March 1720), reprinted in *A Collection of Calculations and Remarks relating to the South Sea scheme and Stock*, London, 1720, p. 10. In *Some Paragraphs of Mr. Hutcheson's Treatises on the South Sea Subject*, London, 1723, p. 4, the profit on a conversion with South Sea stock at 150 is given as £1,400,000; cf. *Journals of the House of Commons*, xix. p. 433.

worth 120 to 130 before the scheme had been developed, it was value for a higher price, according as the conversion became more probable. Thus it is not surprising that the day (February 1st) after the bill had passed the House of Commons, the quotation advanced from 128 to 137½, closing at 136¾. On the 4th the improvement was continued, and it lasted until the 15th, when 187 was touched, an increase of 59 in less than three weeks. At this point the directors were confronted with a serious difficulty. Owing to the recent great increase of the premium on their stock, they could count on a large surplus for sale. But, to realize the profit, it was necessary the market should be in a position to purchase and pay for such surplus stock. If, however, the new promotions were permitted to proceed to business and to call up capital, it was in the highest degree improbable that there would be enough floating wealth to enable sufficient sales of South Sea stock to be made at a high price. Therefore it was to the interest of this company that the promotions of new ventures should be checked, and there can be little doubt that it was through the influence of the directors with the administration that a committee of the House of Commons was appointed on February 22nd, to enquire into the several subscriptions for fisheries, insurances etc., “whereby great mischiefs may accrue to the publick¹.” It was two months before this committee reported, and its appointment may have tended to prevent a further increase in projects, besides precluding those that had issued shares from making further calls, while the investigation was in progress. The immediate effect on South Sea stock was to reduce the price, and it was almost a month before the quotation of February 16th was repeated². With the competition of other speculative ventures temporarily suppressed, the price of South Sea stock advanced with great rapidity, since every point above 125 meant that there would be more surplus stock, and that, when sold, it would realize a higher price per cent. On March 18th, 200 was touched for the first time, that is double the sum at which purchases could have been made in September 1716, and a premium of almost 200 per cent. on the estimated cash price of the securities converted in 1711. It required three and a half years for the stock to advance 100; but, inside four market days, a further increase of a like amount was recorded, when 300 was touched on March 23rd. Until April 14th the price fluctuated about 300, being more frequently above than below that figure. It was on this day that the first step in the actual conversion was undertaken, when a sale of stock was made to the public at 300, followed by a further issue at 400 on the 30th³. On May 19th the terms on which

¹ *Journals of the House of Commons*, xix. p. 274.

² Feb. 16, 17, 180—187; March 16, 185—186½.

³ For the details *vide infra*, III. pp. 308, 354. It may be noted that the stock

the irredeemable debt might be converted were announced, and their chief characteristics consisted in the company offering a greater number of years' purchase to the annuitants than it received from the State on these loans. The price, arrived at in this way, was payable partly in cash, but the larger portion consisted of South Sea stock at 375, that being slightly below the average price of the day on which the announcement was dated¹. On the announcement of the terms (May 20th) the quotation rose to 400, an addition of another 100 in two months—a rise which is the more remarkable since it took place in spite of an attempt by Law to "bear" the stock upon a very large scale².

The result of the conversion was that the company had succeeded in converting debt valued at $9\frac{1}{2}$ millions by issuing only $3\frac{1}{4}$ millions of stock. This left a gross profit *in stock*, issuable by the company, of $6\frac{1}{4}$ millions. Of this, $3\frac{3}{4}$ millions had actually been issued for cash, payable in instalments, and would realize $12\frac{3}{4}$ millions, leaving a balance of issuable stock of $2\frac{1}{2}$ millions which, at 400, would produce another 10 millions. Thus in May there was a gross profit of $22\frac{3}{4}$ millions. From this considerable deductions must be made to arrive at the nett profit. Part of the price of the converted annuities was payable in cash, and allowance must also be made for the sum due to the State. These two amounts may be placed at $9\frac{1}{2}$ millions. Deducting this from the cash receivable from stock, already issued (namely the $12\frac{3}{4}$ millions), there remains a balance of $3\frac{1}{4}$ millions. To this is to be added the surplus issuable *stock* still available of $2\frac{1}{2}$ millions, or (taking the latter at 400) there would be a nett profit on the transaction of $13\frac{1}{2}$ millions cash. Further the issuable capital was now increased to $21\frac{1}{4}$ millions, of which in May 1720 there was issued $18\frac{1}{2}$ millions.

The wave of speculation, which had now set in, was far from being equally distributed. The stocks of the Bank of England and the East India company showed a comparatively small gain, the increase varying from 34 per cent. to 36 per cent. On the other hand, the advance in the quotation of South Sea stock, since the beginning of the year, was 225 per cent.³, and even this immense increase is surpassed by the Royal African company where the rise was 300 per cent.⁴

was not sold in the market at 400 until May 20th. The reason that subscribers were willing to contract to pay more than the market price was that the instalments were distributed over a long period.

¹ May 19, 370—384.

² W. Michael, *Der Südseeschwindel vom Jahre 1720 in Vierteljahrschrift für Social- und Wirtschaftsgeschichte*, vi. pp. 568, 569.

³ The maximum daily fluctuations in the stocks of these three companies from May to September are represented in a chart in vol. III.

⁴ *Vide infra*, II. pp. 32, 35.

*Comparison of Prices of Stocks on Jan. 1st, 1720, and on
May 20th, 1720.*

	Bank of England	India company	South Sea company	Million Bank	Royal African company
Jan. 1, 1720	150 $\frac{1}{4}$	200 $\frac{1}{4}$	128 $\frac{1}{4}$	128	25
May 20, ,,	204	268	415	—	100
	53 $\frac{3}{4}$	67 $\frac{3}{4}$	286 $\frac{3}{4}$		75
	36%.	34%.	225%.		300%.

The fact that there was so great a disproportion in the amount of the improvement in some shares, as compared with others, shows that, as yet, the influence of the speculative activity was partial in its effects. The reason that Royal African stock had risen more in proportion than that of the South Sea company is to be found in the revival of interest in the floatation of new companies. From the middle of April there was a fresh outburst of further promotions. From November to February the favourite ventures had been fishery, insurance and financing undertakings. In April and May the most popular enterprizes were those for foreign and colonial commerce. Out of about 50 which can be assigned to this period, close on one half would fall under that category and of these, no less than five were formed for the African trade, indeed it was announced, evidently with no little glee, that the charter of the existing company "not being exclusive," there were great opportunities for "the more effectual carrying on" of this branch of commerce¹. In addition, an undertaking was floated for the Barbary trade, and the promoters mentioned as one of the inducements that thereby "our country-men would be preserved from being carried into slavery²." There were also at least four enterprizes started to trade with America, as well as one for each of the following countries, Norway, Russia, Portugal and another for the importation of rough diamonds. There were in addition some half-dozen fishing companies, and here again the same general tendency manifests itself, which differentiates this group from the previous floatations for this business. Though the Committee of the House of Commons had reported on the whole in favour of that trade, it was recognized that, when the Royal Fishery company had increased its nominal capital to 10 millions and there were numerous competitive organizations, the home fishing had been fully provided for, therefore the promotions of April and May tended towards the exploitation of colonial waters, such as Newfoundland and the East coast of America. Financial undertakings were fewer than in the previous three months, and became more original in their nature. A

¹ *Post-bog*, April 14–16, 1720; *vide infra*, III. pp. 449, 450.

² *Daily Courant*, April 27, 1720.

"Lombard office" was established on the model of the Charitable corporation, also a foreign exchange company for "the remitting of money to and from the principal trading places in Great Britain and foreign parts¹," as well as two new insurance ventures, one for fire (the Globe) and the other for marine risks. There remains a considerable number of miscellaneous schemes, several of which were concerned with the textile trades. The Royal Lustring company, after having apparently endeavoured to transfer its charter to an insurance company², was revived for the resumption of the manufacture of a-la-modes³. Two woollen enterprizes were proposed, one for linen and another for sail cloth. It is difficult to decide whether a scheme for a calico company was intended to be taken seriously. This was to be established by women who were to find the capital and "they were resolved, as one man, to admit no man," confining applications to those who appeared at a certain china-shop dressed in calico—a costume, one would imagine, somewhat light for April 19th⁴. A venture for the tinning of iron plates, which was started on April 13th may be described as the foundation of this industry in Great Britain. Then comes the revival of a kind of enterprize that was very popular for some years after the Revolution, namely the working of an improved water engine, also another not dissimilar in character for draining fens⁵. A glass company appeared on May 12th and another which seems to have aimed at an improvement in the production of pottery, *i.e.* "for glazing and painting stone [ware] to endure the fire⁶." Finally there was an undertaking for the sale of the goods of bankrupts or persons deceased⁷.

During the five weeks from May 20th to June 24th, the speculation became most intense. In that period South Sea stock advanced over 600, while those of the new promotions considered most promising commanded immense premiums, and the fresh floatations grew still more numerous with yet larger nominal capitals. All these phenomena co-operated in increasing the fever of the time. Profits made in one stock were used in purchases of another, and what was most serious for the future was that speculators mortgaged their credit in order to participate in the gains shown on paper by the general rise in the prices of the various speculative counters. It is shown elsewhere that the access of speculation must be attributed to the directors of

¹ *Post-bog*, April 14–16, 1720.

² As to the negotiations with the Sun Fire Office *vide infra*, III. pp. 386, 387. It appears from the report of the Committee of the House of Commons that early in the year there had been negotiations between the company and Overal's Insurance, *Journals of the House of Commons*, XIX. p. 347.

³ *Vide infra*, III. p. 88.

⁵ Cf. *infra*, II. pp. 481, 482.

⁴ *Daily Post*, April 19, 1720.

⁶ *Daily Post*, April 16, 1720.

⁷ *Ibid.*, May 6, 1720; *vide infra*, III. pp. 450, 451.

the South Sea company¹. It is true that the success of the conversion operations of April and May left the company with a profit unexpectedly large. Even granting that the surplus stock would sell at 400 or over, it would be clear to a dispassionate observer that any further rise in price was over-discounting the future. But the argument of the speculator was that, as yet, the whole debt had not been converted and that future operations would yield a still larger proportion of surplus stock, and it was gravely maintained that "the higher the price is that is given for the stock, the greater benefit will the purchaser have thereby²." What it was difficult, if not almost impossible, to recognize at the time was that the additional rise at the end of May and during June was almost wholly artificial. Instead of using the funds realized by the instalments on the stock issued in April in providing for the bonus due to the State, the directors had embarked on a policy of making loans on the security of the stock of the company, and the effect of each of these loans can be clearly seen in forcing the quotation upwards. Between May 20th and June 4th South Sea stock gained 400³, and it was inevitable that an advance so great, superimposed on one already large, should give an overwhelming stimulus to the formation of new companies. At the end of May and early in June issues of capital were made with a profusion quite bewildering. Not only were the issues more numerous, but the nominal capital asked was growing larger. A subscription of £1,000,000 had ceased to be common. With a few exceptions, the joint-stock was to be at least £2,000,000, often £4,000,000 or £5,000,000. Thus it is not surprising to learn that the total nominal capital of the companies, which published preambles for subscriptions during the single week ending on June 11th, was calculated to amount to 224 millions⁴. Once again the general character of the new enterprises had changed and the textile trades, other manufactures and land-development ventures became most prominent. In the former group, calico was most popular, and upwards of ten undertakings were formed from May 21st to June 11th (inclusive) for developing this industry. Wool too was not overlooked, there were several promotions to sell or produce woollen goods, besides others to develop the accessory industries, such as the growing or grinding of materials used in dyeing—for instance woad, madder—while certain soaps were to be made specially for the cloth trade. Then other

¹ *Vide infra*, III. pp. 317, 318.

² *Flying Post*, April 9, 1720, cf. A. Hutcheson, *Collection of Calculations*, *ut supra*, p. 25.

³ May 20, 381—415; June 4, 820—770.

⁴ *Mist's Weekly Journal*, June 11, 1720 (reprinted in *Daniel Defoe: his Life and recently discovered Writings*, by William Lee, 1869, II. p. 249).

companies were floated to make Colchester Bays, Manchester stuffs, crape, sail cloth, and two to import lace. Besides all these, there was a resuscitation of the Framework-Knitters. As showing the wide-reaching methods of organization of some of the undertakings in this group, it may be noted that it was proposed to grow a certain plant, such as cotton or hemp, on the estates of the company and to manufacture it in factories under the same management. Land-development schemes were also numerous and covered a large variety of objects. One, for instance, aimed at improving estates by a "particular method" which increased the value by between £20 and £30 an acre¹, another at reclaiming bog lands in Ireland, others at building houses. In the same group may be included a venture for the buying of titles to properties, which were disputed, and carrying on proceedings to make good the claims. Under the same general heading may perhaps be added enterprizes relating to agriculture, such as companies proposed for the corn-trade, for seed-corn, for improving the breed of horses. A third group, that was considered to possess considerable speculative attractions, consisted of home manufactures, and undertakings (one or more) were formed for each of the following trades, sugar, paper, paste-board, white-lead, plate-glass, watches, starch and brushes. The class of undertaking that had been so popular in April, namely that for foreign or colonial trade, was now less common, these being now confined to the importation of naval requisites like masts, wood, pitch and tar. Insurance and financial ventures, also, were comparatively rare. Of the former, two may be mentioned, the one to provide against the thefts of servants and the other against burglary². More peculiarly financial were two companies founded at this time, the first for loan offices and the second for the purchase of South Sea and other stocks. The iron and steel trade, too, had a number of floatations. The milled-lead undertaking was re-started³ and once more an effort was made to smelt iron with pit-coal. Companies were formed to work lead and other mines, to manufacture and to import steel, also to work engines for draining mines or clearing harbours. There remains a considerable number of miscellaneous enterprizes, as for instance the production of alum, of rock-salt, another company for carrying coal from Newcastle, schemes for improved methods of brewing (such as the drying of malt by hot air), for victualling ships, for the sale of medicines ("the Grand Dispensary"), for supplying Liverpool with water, for trading in hair for wig-making, for dealing in advowsons, importing diamonds, even for the rearing of bastard children.

The succession of companies had for a long time excited considerable alarm; and, immediately after the Committee of the House of Commons

¹ *Daily Courant*, June 8, 1720.

² *Vide infra*, III. pp. 374, 451-6.

³ *Ibid.*, III. pp. 105-8, 453.

had reported in April, steps were taken to limit the new promotions. In § 18 of 6 George I. c. 18 it was enacted that, where any project offered shares for public subscription after June 24th, 1718, and acted as a company without a charter, or under a charter granted in the first instance for some other purpose, or which had fallen into abeyance, such undertakings should be held to be void, and, after June 24th, 1720, became in law public nuisances and would incur *praemunire*. Though attention was drawn to this act by a proclamation, issued on June 11th¹, dealings in the shares of the threatened schemes continued active, and, what is more remarkable, a few completely new promotions appeared at intervals after the proclamation, even after the date at which the act was due to come into force. The chief effects of the action of the State were on the one side to influence the market in South Sea stock, on the other to enhance the quotations of shares in the ventures already formed. In fact, instead of the flowing tide of speculation being dissipated in every direction, it was diverted into two main channels, namely towards the South Sea market and to that for the new shares. On June 4th all stocks had reached a new high level, South Sea stock for instance being for the first time over 800. After the proclamation of the 11th, at first the price was considerably weaker; but, when the third money subscription was announced on the 15th at 1000, together with the promise of 10 per cent. dividend *in stock*², quotations rose and on June 24th and 25th the boom reached its culminating point. At this time Bank stock was 265, East India stock 440, South Sea stock 1,050³. Thus the latter was ten and a half times its nominal value and over fifteen times the cash payment of 1711. Striking as was that advance in the time, it becomes insignificant when compared with the rapid proportionate increases in the shares of some of the lately founded companies. "The Bubble-Act," so far from damping speculative enterprise, merely served to concentrate it on some of the favourite companies. It is true that in a few cases the highest price recorded shows only a small gain. For instance there is no evidence that shares in the Liverpool Water-supply company, or an ordnance undertaking ever sold at more than thrice the sum paid in. Owing to the immense capital of the Royal Fishery, the maximum was but two and a half times that called up. Out of forty of these recent promotions, the greatest price of two

¹ *London Gazette*, June 11–13, 1720.

² *I.e.* worth *in cash* about 100 per cent.

³ In *A History of Agriculture and Prices*, by J. E. T. Rogers, vii. Pt II. p. 706, a quotation of 1060 is noted June 25. The only verification I have been able to obtain of this price is the mention of it in the *Caledonian Mercury* which quotes the *Evening Post* of June 25. The maximum quotation noted by Freke and the *Daily Courant* is 1050.

was three times that paid up, in three cases four times, in two six times, in two again seven times, in four eight times and in two ten times. That is, in forty instances analyzed, the advance in eighteen cases was less than that of South Sea stock, but in the remaining twenty-two it was greater, that is more than ten and a half times the sum called up in cash. In the following companies the highest price varied from twenty to thirty-five times the sums paid by shareholders—Royal Lustring, English Copper, Welsh Copper, British Insurance, Welby's Gold Mines, London Assurance, York Buildings and Royal Exchange Assurance. But these were not the greatest premiums. The shares of the General Insurance were sold at no less than sixty-four times the sum called up, while, most remarkable of all, in a company promoted by Steele, the essayist (the object of which was to convey fish alive in tanks from the fishing ground to the market, and generally described as "the Fish-Pool¹") £160 was paid as a premium before any call had been made. It may be noted that in the majority of cases, where the rise was greatest proportionately, the companies had a charter or a patent; and doubtless it was thought that the Rose, the General Insurance and the Fish Pool would succeed in obtaining such authorization. At the same time, in spite of the act, the other undertakings were far from being immediately reduced in value, since it was believed that a legal status could still be secured. Few had described themselves as companies, the general tenour of their advertisements being a joint-stock of a certain sum for the carrying on of a certain trade. After June 11th it was thought that by calling themselves co-partnerships the proclamation could be evaded², and therefore the chief effect of the legislation up to the end of June was to confer an advantage on a company with "a good" charter or on one which was likely to secure incorporation.

It will be clear that the rage of speculation in the shares of new companies is a phenomenon to which due weight must be given in any study of the financial conditions in 1720. Though at first only $\frac{1}{8}$ per share or per cent. was called up, as time went on other calls were made, and in the Orkney Fishing company the share was £25 paid, in an undertaking to trade with Hamburg £15 paid. Even though the actual payments on each share were comparatively small, when the market price was very many times that sum and when the nominal capital was very large, it is clear that the demand, made on credit by the speculation in these shares, was immense. It was estimated that at this period the market-value of all the stocks and shares dealt in

¹ This enterprize is described by Defoe in *Mist's Journal*, September 6, 1718 (reprinted in *Daniel Defoe: his Life and recently discovered Writings*, by William Lee, 1869, II. pp. 68, 69).

² *Caledonian Mercury*, June 14, 1720.

amounted to as much as 500 millions, a larger sum than the aggregate value of French Indies shares at the highest quotation¹. The price of some of the securities too was large, thus one share in either the Temple Mills Brass Works, the Orkney Fishery or the Royal Exchange Assurance cost £250, while York Buildings touched £305. The effect of the inflation too may be seen from another point of view, by selecting for investigation and comparison two groups of companies in the first of which only $\frac{1}{8}$ was paid, while in the other £5 was paid.

Highest Price recorded for the shares of the following companies on all of which $\frac{1}{8}$ was paid.

For Drying Malt with hot air	}	...	...	1
„ Life Insurance				
„ Saltpetre	}	...	...	1½
„ Flax and Hemp				
„ Land Improvement				
„ General Insurance		...	...	8

Highest Price recorded in 1720 for the shares of the following companies on all of which £5 was paid.

Holy Island Salt	...	...	...	15
Land Improvement (Lambert)	...	...	...	20
Melioration of Oil (Long)	...	...	...	60
Navigation, River Douglas	...	...	...	70
English Copper Company	...	...	...	105
London Assurance	...	...	...	175

Finally the following table shows the nominal value of fully-paid stocks (or in the case of partly-paid shares the amount paid) and the highest recorded price. In some cases the advance was so great that the statement of the premium can no longer be conveniently expressed in the percentage of the nominal value, and therefore the figure, added below the maximum price, represents the number of times the sum paid up is contained in the maximum quotation.

Table showing the amount paid up (or held as paid up) on each of the undermentioned stocks and shares and the highest price recorded in 1720².

Name.....	South Sea Company —vide <i>infra</i> , III. p. 360	Bank of England— vide <i>infra</i> , III. p. 244	East India Company— vide <i>infra</i> , II. p. 206
Nominal value ...	100	100	100
Highest price ...	1,050	265	449

¹ Anderson, *Annals of Commerce*, III. p. 330.

² Based on the *Bubblers' Mirror*—Print Room, British Museum, No. 1621, also Nos. 1610, 1611, 1620, 1622, 1642. Anderson, *Annals of Commerce*, III. pp. 339–43. The figures in brackets after the name of some of the companies refer to the list of these promotions, *infra*, III. pp. 445–58.

Name.....	Million Bank— <i>vide infra</i> , III. p. 287	Royal African Company ¹ — <i>vide infra</i> , II. p. 35
Nominal value ...	100	100
Highest price ...	440	200

Name and Ref. No....	Liverpool Water- Supply [142]	Puckle's Machine Gun— <i>vide infra</i> , III. p. 109	Sun Fire Office — <i>vide infra</i> , III. p. 387	Royal Fishery [2]
Paid per share	10	4	? 10	10
Highest price	20	8	20	25
(Highest price) ÷ (par)	2	2	2	2½

Name and Ref. No....	Marine Insurance [? 36]	Holy Island Salt [162]	Supplying coals from Newcastle [40]
Paid per share	1	5	¼
Highest price	3	15	1
(Highest price) ÷ (par)	3	3	4

Name and Ref. No....	Irish Sail Cloth [? 87 or 71]	Improvement of Land (Lambert) [179]	Westley's Actions [? 125]	Furnishing of Funerals [30]
Par	¼	5	2	2½
Highest price	1	20	12	15
(Highest price) ÷ (Par)	4	4	6	6

Name and Ref. No....	Pennsylvania [86]	Whaling Co. [34]	Drying Malt by Air [129]	Rose Insur- ance [28]
Par	5¼	½	⅛	½
Highest price	40	3½	1	4
(Highest price) ÷ (Par)	7	7	8	8

Name and Ref. No....	Life In- surance ²	Trading with Hamburg [? 166]	Grand Fishery [4]	Orkney Fishery ³
Par	½	15	½	25
Highest price	4	120	5	250
(Highest price) ÷ (Par)	8	8	10	10

Name and Ref. No....	Flax and Hemp growing in Pennsylvania [79]	Rock- Salt [113]	Hemp and Flax [? 71 or 87]	Melioration of Oil (Long) [181]
Par	2½	1¼	⅛	5
Highest price	28	15	1½	60
(Highest price) ÷ (Par)	11	12	12	12

¹ The quotation of the Bubbler's Mirror is 200, that of the newspapers 180.

² ? "Symond's Assurance on Lives," *An Exact List of all the Bubbles, 1721*, in Somers' *Tracts* (1751), xvi. p. 419; *The History of Banking*, by W. J. Lawson, 1850, p. 489.

³ Anderson, *Annals of Commerce*, III. p. 341.

Name and Ref. No....	Salt- petre [32]	"Stockings" ? Frame- work-Knitters Co. [159]	Manuring of Land [? 126]	Water- Engine [76]
Par	$\frac{1}{8}$	$2\frac{1}{2}$	$\frac{1}{8}$	4
Highest price	$1\frac{1}{2}$	30	$1\frac{1}{2}$	50
(Highest price)÷(Par)	12	12	12	$12\frac{1}{2}$

Name and Ref. No....	Bahama Islands ¹	Navigation of the River Douglas ²	Building or buying ships to freight [22]	Royal Lustring Co.— <i>vide infra</i> , iii. p. 88
Par	3	5	1	$5\frac{1}{4}$
Highest price	40	70	15	105 or 120
(Highest price)÷(Par)	13	14	15	$20\frac{1}{2}$ or $23\frac{1}{2}$

Name and Ref. No....	English Copper Co.— <i>vide infra</i> , ii. p. 435	Welsh Copper Co.— <i>vide infra</i> , ii. p. 439	British Insurance [25]	Temple Brass Mills — <i>vide infra</i> , ii. pp. 428, 429
Par	5	$4\frac{1}{8}$	$\frac{1}{8}$	? 10
Highest price	105	90 or 95	3	250
(Highest price)÷(Par)	21	22 or 23	24	25

Name and Ref. No....	Royal Exchange As- surance— <i>vide infra</i> , iii. pp. 404, 410	York Buildings Co.— <i>vide infra</i> , iii. p. 425	Gold Mining Co. (Capt. Welbe's) [174]
Par	10	10	$\frac{1}{2}$
Highest price	250	305	16
(Highest price)÷(Par)	25	$30\frac{1}{2}$	32

Name and Ref. No....	London Assurance— <i>vide infra</i> , iii. pp. 404, 411	General In- surance [24]	"Fish Pool" (Sir R. Steele) ³
Par	5	$\frac{1}{8}$	nil
Highest price	175	8	160 Prem.
(Highest price)÷(Par)	35	64	

¹ The capital was £8,000 (Anderson, *Annals of Commerce*, iii. p. 342). The second instalment was to be paid on July 20, 1720 (*Daily Courant*, July 14).

² Anderson, *Annals of Commerce*, iii. p. 345; Rogers, *Agriculture and Prices*, vii. Part ii., p. 608.

³ On September 13, 1720, it was advertised that ships were almost completed, and share certificates were then ready (*Daily Post*, Sept. 13, 1720).

CHAPTER XXI.

THE COLLAPSE OF THE BOOM OF 1720.

THE boom of 1720 was at its height in the last week of June. South Sea stock was quoted at 1,000 on each of the six week-days from the 23rd to the 29th¹. But already there were signs portending serious trouble in the future. The inflation of credit had been carried to such lengths that later on it became customary to speak of the financial operations of this period as "bubbles²." Towards the end of April, the rate of interest on stock exchange loans was as much as 10 per cent. a month, indeed in some cases 1 per cent. *a day* was paid³. Foreign exchange was becoming adverse to London, though the change was to some extent disguised by the influence of a similar speculative fever at Paris and Amsterdam⁴. Though the diminution of further floatations

¹ *Vide infra*, chart in vol. III.

² The use of the term "bubble," in this connection, is often supposed to have been the creation of the South Sea period, and it is sometimes derived from "bob." Shakespeare has "bubble reputation," and Wycherley describes one of his characters as "bubbled of his mistress." The plates in *Het Groote Tafereel der Dwaasheid*, 1720, show that the word was understood literally, and was closely connected with air-bubbles or soap-bubbles—as something unsubstantial, which was capable of "being blown up" rapidly and was liable to burst.

³ A. Hutcheson, *Collection of Calculations*, *ut supra*, p. 25.

⁴ *Freke's Prices*, *ut supra*. The Paris rate which had been 34·8 on January 13, 1719, went to a greater and greater discount in 1720, being 10, 7½, 6, 0 on August 2, 16, September 9, 13; cf. MS., "Second and Last Advice to ye Freeholders of England," 1721, where the beginning of this phenomenon is traced to the exportation of bullion and bills on behalf of the foreign favourites of George I.—"The locusts which the *East wind* brought into Ægypt did great mischief, but they carried nothing away but their carcasses and those ye Ægyptians had ye pleasure to see drowned by a strong *West Wind*. But our locusts are grievous not only at their visits but at their departure, they come empty and go away loaded....But all this, as great and as intolerable as it was, is nothing to ye plunder of ye nation in 1720, when ye K—— himself sold out a vast deal of South Sea stock and subscriptions at 800 and 900 per cent. and when y^t prodigious deal of fictitious stock was pretended to be sold we all know ye greater, much ye greater, part of those sums were paid to ye K—— and ye Duchess of Kendal...and it was all spirited away to Hanover of which ye proofs are plain. For besides what was carried away in specie so much was remitted by bills y^t instantly upon the K——'s departure, the exchange to Holland fell very much against us and could never afterwards be got up before the total catastrophe and crack of ye South Sea."

of new companies strengthened the prices of South Sea stock and of the shares of undertakings already established, the element of doubt as to the legal status of the latter was prejudicial to the continuance of a state of credit already subject to a strain that must increase with cumulative force as time went on. It is shown elsewhere that the finances of the South Sea company were strained to the uttermost by the malpractices of some of the directors and by the system of making loans on the stock¹. Everything points to the conclusion that the condition of the stock-market in June was exceedingly unstable, supposing there had been no further demands on the credit of the country. But the situation was such that, if financial enterprise stood still, a collapse must have followed. Only the future could justify the high level of the quotations of stocks. For instance the whole profit of the South Sea company was still to be realized, and the same remark applies, with even greater force, to the host of new companies. Therefore to stand still was to court disaster, but it can be shown that to go forward was only to meet vast misfortunes. The South Sea company had immense sums due to it in the future, as instalments on the three cash subscriptions. But such of the new companies as could make good their footing would also require very large sums. Now, when credit was so strained already in June, it is clear that it was absolutely impossible that the necessary funds should be forthcoming. Therefore either way a terrible collapse was inevitable. If speculation had been checked in June it would have come quickly, if, on the other hand, the directors of the South Sea and other companies went forward, it would arrive more slowly but no less surely, and the panic would be the greater the longer the delay.

It is shown with some detail in the account of the South Sea company that its policy had been all along to inflate the price of its scrip². Every possible device was adopted to support the market. Not only were loans made on the stock, but there was a sustained effort to corner it. Necessarily those, who borrowed on their holding, had to pawn their stock, and there was great delay in issuing new scrip against the annuities converted in May. Thus the market was kept bare of stock, but here again the management of the company was involved in a dilemma. The price of the stock, being artificially enhanced through the loans on it, to support the market it was necessary to continue the policy. But, to obtain funds for such financing, further issues of stock must be made. Moreover the company was approaching the end of its issuable stock, and to create more, would involve the opening of lists for a second conversion of debts. It follows then that the operation of

¹ For the details *vide infra*, III. pp. 317-19, 323, 324.

² *Ibid.*, III. p. 318.

cornering the stock had failed. In spite of the widespread speculative fever, there was a steady undercurrent of real selling from holders of stock, who refrained for political reasons from condemning the scheme. This attitude of mind is expressed by William King, Archbishop of Dublin, in a letter to Molesworth written in May—"I send you the queries about the South Sea, but would not on any account have it known that I am concerned in it, for I think, if the debts of the nation may be paid by the folly of particulars...it will be very well for the publick, and I know no obligation on me to hinder it. Perhaps what would be spent this way would be spent on gaming or on luxury, and I am of opinion that most that go into the matter are well aware it will not [succeed], but hope to sell before the price fall¹."

For these various reasons the stock was steady during July, in fact, allowing for the deduction of the dividend, it rose slightly, owing to further loans to stockholders at the end of the month. Since the second step in the conversion-scheme was now inevitable, the time was judged favourable, and the stock was rated at 800 for both irredeemable and redeemable debts. This operation was carried through during the first twelve days in August, and on the 12th a final issue of stock for cash was made at 1,000. The effect on the market soon showed itself. The quotation, instead of advancing as it had done after the conversion in May, very slowly receded, and, when the operation was completed, it fell below 900.

Meanwhile, in spite of the act and proclamation of June², the new or revived companies continued to gain popular support. There was no legislative machinery provided for taking action against them; and, in any case, those that stood highest could only be touched by showing either non-user or misuse of their charters. The directors of the South Sea company believed that, if they could put the law in force against such undertakings as were most favoured, the way would be clearer for the payment of calls on the cash-subscriptions and also for the maintaining of the price of South Sea stock. But two of the undertakings, which were most successful in the market were legally unassailable. These were the marine insurance companies, which had been established by act of Parliament. There was a stipulation, however, that these companies should each make a loan to the State, and the South Sea company endeavoured to force them into such a position that they could not fulfil the conditions, and as a consequence would be subject to the forfeiture of their charters³. Either as a result of these manœuvres or

¹ MS. Letters of Archbishop King, Library, Trinity College, Dublin, N. 3. 6. f. 87.

² *Vide supra*, p. 417.

³ *A New Year's Gift for the Directors with some account of their plot against the two Insurances*, London, 1721, p. 24.

through ill-advised speculation, the insurance companies were in difficulties later in the year, but they managed to maintain their credit, longer than their aggressor¹. It follows that out of ten undertakings, the shares in which are known to have sold at over twenty times the amount paid up², two, the Royal Exchange and London Assurance companies, were beyond the reach of the directors of the South Sea company. Of the remaining eight, four (namely the British and the General Insurances, the Temple Brass Mills and the Gold Mining company promoted by Welbe) had no charters and could be dealt with under the act of June. This left four undertakings—the Royal Lustring company, the English and Welsh copper mines and the York Buildings—all of which had charters, while the first and the last were strengthened by acts of Parliament. It follows that, if the South Sea company decided to attack their legal status, it could only do so by proving non-user or misuse of the respective charters. Accordingly on August 18th, the directors made application for a writ of *scire facias* against these undertakings. There were considerable differences in the legal position of the four companies. No evidence is discoverable which shows that the Welsh copper company had continued to exist. Originally founded in 1694 it does not appear to have survived the boom that gave it birth³, and therefore, so far as is known, this was a clear case of a charter becoming void through non-user. The cases of the Royal Lustring company and of the English Copper Mines were more doubtful. The former had been founded in 1688; and in 1706—a year of great depression—its shares were still quoted at half the issue price, that is at 60 per cent. of their nominal value. The joint-effect of peace with France in 1713 and the approaching determination of the monopoly of the undertaking led to the announcement that its assets were to be realized in 1713, though there is evidence that the shareholders continued to meet as a corporate body in 1716⁴. The cessation of manufacturing, as well as the attempts to sell the charter to insurance companies, afford evidence that the status of the company under the act was bad. When it had ceased to manufacture, the charter was forfeited under the non-user clause. The company of English Copper Mines was less unfavourably situated in law. Founded in 1691, this organization was still at work in 1711, and in 1720 an amalgamation had been effected with two other smelting and copper-mining undertakings. The united capital was only £105,000⁵. In this case there was no question of a misuse of the charter, since all the business, carried on under it, was exactly of the character originally

¹ *Vide infra*, III. pp. 405, 406.

² *Vide supra*, p. 421.

³ *Vide infra*, II. pp. 438, 439.

⁴ *Ibid.*, III. pp. 88, 89, 386.

⁵ *Ibid.*, II. pp. 434, 435.

authorized. Moreover, it seems that a fair case could be made out to show that the company continued to exist between 1711 and 1720. In 1710 a further call on the shareholders had been made, and this points to the conclusion that, at that date, the assistants contemplated the carrying on of the undertaking. Further, once the amalgamation of 1720 had been completed, it would have been equitable to consider the charter as applying to the united mines, smelting-works and copper mills, and there is good reason to believe that one at least of these enterprizes had been established some years before 1712 and had been at work from that date until 1720¹. Thus there seems to have been no ground for the voiding of the charter on account of non-user. The case of the York Buildings company was peculiar. Founded originally as a water-supply company, it had continued as such until the end of 1719, when a group of speculators bought up the water-works and the charter and floated the land-development undertaking. Therefore this company could not fail by reason of non-user, but it might be reached on account of misuse of its charter. That grant had been made on behalf of what had been, at the date it was signed, a new type of water-supply undertaking², and the whole question was whether the purchase of estates in Northumberland and Scotland could be covered by that instrument or by the act in favour of the company. There was one technical point urged on its behalf, namely that, whereas as a rule other charters limited the value of lands purchasable by the undertaking incorporated, there was no such limitation in this special case. Apart from the question of construction of the charter, it appears that, while there was no express restraint on the purchase of land, whatever amount was acquired should be in relation to the main object of the company; and, if so, it follows that the recent operations of the company, while not contrary to the letter of the charter, were not authorized by that instrument and might further be held contrary to its intention. However, in view of the influence which the South Sea company was able to command, the decision of the Courts was adverse to three of the four companies³. The consequences of this verdict were very far-reaching; and, were it not for the tragic nature of the causes now set in motion, they would have been highly humorous. It has been shown above⁴ that, with the exception of the Welsh copper company, something at least was to be said for each of the other undertakings. When this was so, what was the position of the bankers of the South Sea company, who

¹ State Papers, Domestic, Petition Entry Book, xi. p. 521.

² *Vide infra*, III. pp. 419, 424.

³ The charter of the English Copper company was found not to have been invalidated.

⁴ *Vide supra*, p. 425.

carried on business under a charter originally granted for the manufacture of hollow sword-blades in the north of England, and after this industry was abandoned, the grant was used to purchase estates in Ireland and, after being for some years in abeyance, was revived to authorize banking and financing on a vast scale¹? In this case there was certainly both non-user and misuse.

The direct result of the issue of the writs of *scire facias* was a rapid fall in the shares affected, some of which became unsaleable. Within a month York Buildings had relapsed from 305 to 30, London Assurance from 175 to 30, Royal Exchange Assurance from 250 to 60. When these were the shares that fared *best*, it may be gathered that those that were most affected became worthless. Considering the undue strain of the credit of the country at the time, losses of this magnitude could not be confined within a given area. As these shares had risen in the market, loans had been made on them by bankers, and the price fell too quickly for the margin to protect the lenders. Not only so, but the same persons, who speculated in these new companies, were holders of South Sea stock; and, through their losses in the former, they were compelled to sell part of what they owned in the latter. Thus, just as all stocks tended to rise together during the height of the boom, so conversely, the state of credit being what it was, a great fall in one direction would spread until the relapse became universal.

Possibly it may have been some consolation to the companies attacked by the South Sea directors to know that the stroke directed against them had recoiled with crushing force upon the aggressors. Before the issue of the writ South Sea stock had stood at 850, a month later it was as low as 390. Thus in the month from May 24th to June 23rd there had been a *rise* of 520 while in the same period from August 20th to September 19th there was a *fall* of about 450. Comparing the state of the market in the stock with the position of York Buildings shares; the latter, in spite of the attack made on them, commanded as high a premium on the sum paid up as could now be obtained on South Sea stock².

The great fall in stocks, during the last ten days of August and the month of September, is to be attributed in part to the shock to credit by the issue of the writs; but, where the inflation was greatest, there were other causes. The beginning of the decline came from the losses in the new companies. But, since the later part of the advance had been artificial, any disturbance of confidence would inevitably produce

¹ *Vide infra*, III. pp. 440–2.

			Credited as paid up	Price
² South Sea stock, Sept. 19	...	...	100	450—380
York Buildings ...	...	...	10	45—30

wide-reaching effects. In a time of wild speculation a moderate fall would become the prelude to further relapses; and, once the downward movement had acquired a certain momentum, it would continue irresistibly until the inflation was reduced. Just as in the period when prices were advancing, the fact that certain stages were reached tended towards further gains, so in the reverse direction other limits being touched gave an added force to the panic. For instance, up to September 5th, South Sea stock, though falling, remained over 700, but 600 was the figure at which enormous loans had been made by bankers; and, at the former price, in a falling market it was clear that the margin was rapidly shrinking. To protect themselves, the lenders began to sell the pawned stock, with the result of a further relapse. Then the directors of the company themselves began to make bear-sales¹, and such action added to the panic, until on September 19th the stock fell below 400. At this price, the whole influence of the annuitants, who had converted, became adverse to the company. Those, who had come in in August, saw the stock selling in the market at half the price at which it had been rated for them, while the position of those who had subscribed at 1,000 was necessarily still worse. Instead of being able to sell their allotments at a profit, as they had hoped, they would now be forced to pay calls, all of which represented a dead loss at the prices then ruling. It was little to be wondered at that the stockholders began to clamour for a revision of the terms of subscription. But, if there were such a revision, the amount of surplus stock would be reduced, and thus the great argument in favour of advanced quotations would be weakened. The fortnight from September 19th to the end of that month was a most critical period in the stock-market, gathering up within a short space the nemesis of bad finance. On Monday the 19th South Sea stock opened at 450, and an angry meeting of the company on the following day tended against any recovery. As confidence became more and more impaired, doubts arose as to the ability of the company to make good its vast financial commitments. In the past as fast as cash had been received from the subscribers, it had been lent out; and the payments, to be made on the conversion-operations, were satisfied by bonds. When almost all paper-securities had fallen under suspicion, the position of these bonds was doubted. It is true that the market was temporarily strengthened by the announcement on Friday the 23rd that the Bank of England would support the South Sea and Sword Blade companies, and the price closed at 375, but the next day (before the agreement could be completed) the Sword Blade company was forced to suspend payment, and within a few days many other

¹ *Vide infra*, III. pp. 326, 328, 329.

bankers failed. On Monday, Tuesday and Wednesday (26th—28th) the panic was at its worst, South Sea stock touched 180 (a fall of 600 in a month), the bonds were sold at 75, East India stock fell from 210 to 150, York Buildings from 30 to 17, Royal Exchange Assurance from 65 to 40, London Assurance from 35 to 20. The breakdown of credit was felt universally¹. Loans, even on good security, were almost unobtainable; and those who had funds to lend considered that they had “acted a charitable part in taking no more than five per cent. *for a month*.” Most credit-instruments were not negotiable—as it has been graphically described “every note and bill, except those of the Bank, and some few others, is now become as mere piece of waste paper as if a prayer or a creed was writ on it instead of money². It was “unfashionable not to be a bankrupt,” the consequences to trade were described “as most miserable and ruinous” and merchants were said “to be reduced to such misery as they had never felt before³.” Though the prices of stocks were considerably lower in December, the most acute stage of the panic had passed on Thursday, September 29th, when it was definitely agreed that the price, at which South Sea stock had been rated for the conversions of the summer, should be reduced to 400⁴. Great efforts were now made to maintain the stock at about 200. All the devices that had been used from May to August were revived as far as they could be applied in the altered circumstances. Handsome dividends were promised in the shape of “divisions” out of the surplus stock. The company intimated that it would pay 30 per cent. at Christmas, in cash, and 50 per cent. thereafter for a term of years; while treatises were issued endeavouring to prove that these distributions could be made good, even after the readjustment of terms with the annuitants, whereby the quantity of surplus stock was greatly reduced⁵. In this way the price was maintained at about 200 till the middle of November. It then began to be seen that an enquiry, during the approaching session of Parliament, into the conduct of the directors was possible. Besides, some of the ulterior consequences of the panic were still producing a great depression in trade, so that towards the end of December prices of stocks were lower than they had been when the

¹ *Vide infra*, II. p. 204.

² *Considerations on the Present State of the Nation as to Publick Credit, Stocks, the Landed and Trading Interests*, London, 1720, pp. 17, 21.

³ *Historical Register* (1720), v. p. 380; *Some Paragraphs of Mr. Hutcheson's Treatises*, *ut supra*, p. 14.

⁴ It will be seen that, owing to payments made in cash and to the subsequent bonus, this was not the price at which the annuitants held the stock—*vide infra*, III. pp. 311, 322, 400.

⁵ *An Argument proving that the South Sea company are able to make a dividend of 38 per cent. for 12 years, fitted to the meanest capacities*, London, 1720.

panic was at its worst. The following table will show the decline from the highest point during the boom; and, for the purposes of comparison, the quotations of January 1st, 1720 (or in the case of new companies the amount called up) are added:

Comparison of the Prices of stocks and shares from June to August and in December 1720.

	Bank of England	East India Company	South Sea Company	Royal African Company
1720. June to August...	265	449	1,050	200
December 13—14	132	145	121	45
January 1st	(150½)	(200½)	(128½)	(25) ¹
	Royal Exchange Assurance	London Assurance	York Buildings	
June to August...	250	175	305	
December 13—14	9	11	15	
Paid in	10	5		

The great fall in the price of stocks reflects one aspect of "the clearing away of the wreckage," after the collapse of the period of over-speculation. Both the boom and the consequent panic had originated in financial operations, and it is natural to seek for the most important results amongst those companies which undertook this class of business. Amongst finance, banking and insurance undertakings there are two groups, the one, which through circumstances or choice, was closely related to the South Sea scheme, and the other which was less affected by it. In the first class may be mentioned the South Sea company itself, as the prime mover in the inflation, the Million Bank, as a very large holder of the securities converted and the York Buildings company, which though attacked by the South Sea directors, yet imitated some of the most objectionable of their methods, which involved it in difficulties during a lengthened, but not a reputable existence². The Million Bank appears to have speculated in annuities during the boom, and it emerged in a somewhat crippled condition which involved a reduction of the dividend. In time its credit became re-established and it endured as long as terminable annuities, of the kind common after the Revolution, were a favourite investment³. The dominating figure in this group is the South Sea company, whose directors had been as kings in the summer and were execrated as "the scum of the people" in the winter. Strenuous efforts were made to leave the position, established at the end of September, exactly as it was. This course would have involved a menace to credit and a slur on the national honesty. There still

¹ February 5th.

² *Vide infra*, III. pp. 426–34.

³ *Ibid.*, III. p. 286.

remained a considerable amount of surplus stock; and, had no further action been taken, the company would have been in a position, when trade again became active, to sell this stock. Further, when the investigations of the Committee of the House of Commons had made some progress, it was seen that the creditors had good ground of complaint against the State, which had appointed the South Sea company as its agent for making the conversion. In so far as the ministry had betrayed its trust, the creditors were forced into wild speculation, where the dice were loaded against them. Clearly therefore the State was under an equitable obligation to afford some relief to the subscribers of debts. Two methods were open to it. The company had not as yet paid the bonus it had undertaken to provide out of the surplus stock, and besides there were the fines levied on the directors. Further, to remove the temptation of surplus issuable stock, it was decided that, on the State foregoing its claim to the bonus, all the issuable stock should be divided, together with the fines on the directors, amongst the annuitants, who had converted. The effect of this re-adjustment was that the long annuitants now held South Sea stock on an average of from 105 to 110 and those who exchanged redeemables at about 160¹. These prices were below the average of December 1720, but the position had another side, which was less favourable, in so far as, even after the re-adjustment, there was a material loss of income. The settlement of the affairs of this company introduced certain changes in the capital account which affected the Bank of England and had been intended to influence the East India undertaking also. The concession to the annuitants, who had converted, removed the possible danger from the existence of a surplus issuable stock. There remained the risk of the operations that might be undertaken in the future, through funds raised on the credit of the debt due by the government to the company. It was therefore intended that the capital, which was 37 $\frac{1}{2}$ millions at the end of 1720, should be reduced by 20 millions—2 millions were cancelled and the Bank and East India company were offered the privilege of purchasing 9 millions each. It shows how the estimation of a fund of credit had fallen after the severe lessons of 1720 that, before the panic, the South Sea company had bribed ministers most lavishly to obtain the right of increasing its capital; whereas the East India company in 1721–2 refused this offer, even as gift² and the Bank only took 4 millions instead of 9 millions³. After this adjustment was made the capital of the South Sea company was 31 $\frac{1}{2}$ millions, that of the Bank almost 9 millions. Apart from the increase of its capital, the latter institution did not bear any lasting marks of the troublesome

¹ *Vide infra*, III. pp. 347–9.² *Ibid.*, II. p. 205.³ *Ibid.*, III. p. 242.

times through which it had passed. Indeed the fact that its credit had stood during the panic strengthened its position, besides giving the directors a salutary lesson on the evils of speculative finance. The Bank was fortunate in escaping the evils that beset its great rival, for it must not be forgotten that it accepted the principles that had ended so disastrously. The directors, like their contemporaries, exaggerated the advantages of a fund of credit, but the state of home-politics and the dishonest methods of the South Sea company resulted in the offer of the latter being accepted. The proposal of the Bank, had it been realized, would in all probability have been carried out more equitably; but, if so, there would have been no little danger to the stability of the company. Leaving aside the dishonesty of the South Sea directors (which added to the inflation and subsequent collapse in 1720), the real cause of the panic was the erroneous views held as to the extent of the fund of credit. The Bank of England had first worked out the idea on a large scale in England; and, had a different government been in office, it is possible that it would have secured the privilege of making the conversion. Thus the success of the South Sea company in being selected was in truth a predestined failure; for, as opinion was at the time, men exaggerated the powers of a fund of credit to such an extent that it was inevitable that too high a price should be asked from the body selected to carry out the scheme, with the result that eventually the operation would involve that body in difficulties.

While those financing companies which were brought into immediate contact with the South Sea company felt the effects of the year 1720, the other members of this group came through the crisis bearing marks of the period of stress. The two new marine insurance companies were unable to pay the sum they had promised to lend to the government¹, partly through losses in speculation, partly through the impossibility of inducing shareholders to pay calls; and they were compelled to come to Parliament and obtain remission of a part of the amount they had each undertaken to provide. The management of the Royal Exchange company had been particularly enterprising, if not speculative. Not content with the marine business, secured it by the charter and act of Parliament, it endeavoured to undertake fire risks, by buying up the Sadlers' Hall company, besides forming a community of interest with the Sun by an extensive purchase of the shares of the latter². It is a curious commentary on the over-capitalization of the insurance companies promoted in 1720 that the Sun Fire Office, which was now beginning to succeed, could have been bought up for about £50,000. This company, too, was affected by the prevailing excitement, not only

¹ *Vide infra*, III. pp. 405-7.

² *Ibid.*, III. pp. 388, 408, 409.

in its relations with the Royal Exchange but in its legal status and capitalization. Having no charter, it appears at one time to have endeavoured to purchase that of the Royal Lustring company. Moreover, like other undertakings, which had been founded before the boom, it found that the 24 original shares soon rose to a price that was unmanageable and accordingly each was subdivided into 100 new ones¹. The same method was adopted by the English Copper Miners and by a company (formed in 1716) for lending money on real security². The Royal Lustring company on the other hand retained the original number of shares, but created in addition a large amount of new ones on which calls were made³. The case of the Bank of Scotland shows how widespread the fund of credit fallacy was. The South Sea company had sought the making of a conversion of debt, but strenuous efforts were made to force such an operation on the Scottish institution against its will, through exchanging its shares for the securities known as Equivalent Debentures which were created in 1707⁴. The owners of these debentures, being repulsed by the Bank, used them to establish a fire insurance company and again attempted to compel an amalgamation⁵. The success of the Bank of Scotland not only aroused envy at home but a desire of imitation in Ireland. When a Bank was proposed in Dublin in March, 1719, one of the inducements held forth to prospective shareholders, was that the shares of the Bank of Scotland were selling at 150 per cent. premium; and the proposed capital of £100,000 was taken up, before the date at which the books were opened for public subscription. As has often happened since in Ireland, new industrial developments were made weapons in keen party strife, and the opponents of the scheme represented it as "a society of men incorporated to seize the money of the kingdom and turn it to their private benefit, whilst the people circulated their papers and paid them interest for the use of them⁶."

After the purely financial companies, those which suffered most in 1720 were the undertakings expressly named in the writ of *scire facias*. The Royal Lustring company disappeared altogether⁷, and the York Buildings continued as a highly speculative venture⁸. The two mining enterprises—the English and Welsh copper undertakings—suffered in the market, but neither admitted defeat. Both continued to transact

¹ *Vide infra*, III. p. 387.

² *Ibid.*, II. p. 434, III. p. 456.

³ *Ibid.*, III. p. 88.

⁴ *Ibid.*, III. pp. 269–72.

⁵ These Equivalent Debenture holders finally became incorporated in 1727 as the Royal Bank of Scotland.

⁶ MS. Letters of Archbishop King, Library, Trinity College, Dublin, N. 3. 7, ff. 11, 12, 19, 31, 49, 50.

⁷ *Vide infra*, III. p. 89.

⁸ *Ibid.*, III. pp. 426, 427.

business. The former opened its books and made transfers after the issue of the writ¹; and in February 1721 it protested vigorously against the action of the *London Gazette* in refusing to print an advertisement of one of the meetings². Each company elected officials³; and, when Maitland wrote his *History of London*, he mentions both as being then in existence. As late as the end of the century the charter of the English Copper Miners was still in use, while in 1790 this company entered a combine, known as the United Mines, which for several years made profits⁴. The stimulus of the boom of 1720 aided other mineral enterprizes, and part of the gain was retained after allowance is made for the damage done by the subsequent panic. A lead smelting company, originally incorporated in 1692 as the *Governor and Company for Smelting down Lead with pit and sea coal*⁵ was re-established, and continued at work long afterwards⁶. A Brass works, founded in 1702, which may have been that owned by the Temple Mills company, was described in 1803 "as having continued till this time but with great additions and improvements, and this is now perhaps the most considerable brass-work in Europe⁷." The tinned-plate trade was founded⁸, and efforts were made to re-start the milled-lead, the smelting of iron with pit coal and the Mine Adventurers companies. The latter continued to hold meetings and to elect officials as late as 1731⁹. Neither were the charters of the Mines Royal and of the Mineral and Battery Works allowed to lapse. It appears that, after the decision of the Commons' Committee in April 1720, these grants became useless as an authorization of marine insurance; and, in any case, when the Royal Exchange Assurance company obtained incorporation, the Elizabethan instruments were no longer required. At the height of the boom an attempt was made to float a mining venture under these charters¹⁰, and subsequently it appears that the two societies were separated. Thus in 1741 there is reference to the Governor, Assistants and Society of the Mineral and

¹ *Historical Register*, v. p. 294.

² State Papers, Domestic, Petition Entry Book, xvi. p. 453.

³ *Gentleman's Magazine*, i. p. 497.

⁴ *Reports from Committees of the House of Commons*—Report on the State of Copper Mines (1803), x. pp. 666, 681, 685, 709–15. Henry English gives a "British United Mining Company" as in existence in 1826—*A Complete view of Joint Stock Companies formed during the years 1824 and 1825*, p. 4; H. Levy, *Monopole, Kartelle und Trusts*, pp. 136–49.

⁵ *Vide infra*, ii. p. 442.

⁶ Maitland, *History of London*, p. 627.

⁷ *Reports, ut supra*, x. p. 666.

⁸ Anderson, *Annals of Commerce*, iii. p. 346.

⁹ *Gentleman's Magazine*, i. p. 497; cf. *Wealth of Nations*, v. ch. i., Pt iii. § 1 (ed. Cannan, ii. p. 248).

¹⁰ *Vide infra*, iii. p. 446.

Battery Works carrying on mining near Ballycastle in Ireland¹. About 1728, it is related that an invention for a new process of smelting metals was purchased by the society of the Mines Royal from William Wood, who had endeavoured to float a similar scheme in 1720². In 1790 there is mention of the Mines Royal joining the United Mines company already mentioned³.

While the boom was at its height, other old charters were produced. For instance, the King's and Queen's corporation for the Linen Manufacture appeared before the Courts with a view to the suppressing of new floatations in this trade, on the ground that the proprietors intended themselves to take a new subscription for the prosecution of the industry⁴. Another manufacturing grant, that became prominent for a time during the excitement, was the Beech-Oil company on the process of Aaron Hill⁵. This, however, failed to secure support.

There were two other groups of companies which were in existence before 1720 and which in most cases were little affected either by the boom or the panic. These were the water-supply and foreign trading undertakings. The Hampstead Aqueducts, the New River, the London Bridge, the Shadwell and Southwark companies⁶ seem to have pursued the even tenor of their way. The East India company had early grounds for resenting the causes and probable effects of the boom. More than any other organization it was subject to the consequences of the movement towards inflation, as it existed both in France and in Great Britain. The original plans of the South Sea directors had involved the control of the East India company, and its management could scarcely fail to view with apprehension the growth of a most powerful and aggressive rival in France. In the midst of his other far-reaching schemes, Law had found time to hint that he intended to attack the English undertaking, and it is reported that he made large "bear" sales of the stock as early as August or September, 1719⁷. For these reasons the directors had every reason to dread the continuance of the speculative movement, and they appear to have kept outside the range

¹ Brit. Mus. $\frac{816. m. 12}{94}$. At this time the capital was divided into 15,500 shares.

² *Letter from a Merchant at Whitehaven to his friend in London* [Brit. Mus. $\frac{816. m. 13}{11}$]; Anderson, *Annals of Commerce*, III. p. 346; *Beware of Bubbles* (? 1729-30) [Brit. Mus. $\frac{816. m. 13}{14}$].

³ *Reports, ut supra*, x. p. 681.

⁴ *Vide infra*, III. p. 97.

⁵ *Ibid.*, III. p. 117.

⁶ The York Buildings company had virtually transformed itself into a financing enterprize, *ibid.*, III. pp. 7, 15, 27, 32, 426-34.

⁷ *Memoirs of the Life of John Law*, by J. P. Wood, Edinburgh, 1824, p. 81.

of its influence as far as was possible¹. The African and Hudson's Bay companies were to some extent touched by the prevailing fever. The former had long been in want of capital and immediately the boom began, it issued a large quantity of stock in April, 1720². Had this emission been delayed for a few months, double or treble the price could have been obtained, though it is doubtful if the stockholders would have been able to pay the calls when due. In any case, the funds received would have been of no benefit to the company; since, like the South Sea company, it made loans on the security of its own stock³. If this undertaking was unfortunate in creating new stock too early, the Hudson's Bay company fell into the opposite error of being too late. Its scheme of capital re-organization was only ready on August 29th (that is after the writs had been issued). It was proposed to treble the nominal amount of the existing capital, by way of a bonus, and then to offer thrice as much more for public subscription. The effect of this arrangement would have been to make the whole capital nine times what it had been at the beginning of the year. However the panic came before many of the new subscribers had paid their first call, and it was found necessary to cancel almost the whole of the recent issue⁴.

The events of the year 1720 sum up to a certain extent the history of the joint-stock movement since the Revolution, and at the same time they determined the course of the future for over a hundred years. The exaggerated ideas as to the extensibility of credit had been floating through men's minds for the past twenty-five years, and the speculation of 1719 and 1720 exhibited the inevitable outcome of an economic fallacy, developed in an atmosphere of political corruption. In this respect the South Sea panic constitutes a distinctive epoch in financial history. From a different point of view, too, this eventful period marks, more even than most times of crisis, the end of an old order, and there is certain completeness in it, since it brings to light all the joint-stock companies that possessed any degree of vitality. Those that were able to survive the panic were shown to be endowed with a remarkable degree of recuperative force, and almost all of them had a lengthened existence, while the majority have continued to flourish during the nineteenth century.

The true significance of the panic, however, is not so much in terminating one epoch, but in beginning and dominating another. To the statesmen of the first quarter of the eighteenth century, it seemed

¹ *Vide infra*, II. pp. 204, 205.

² Treasury Records, Royal African Co. (Court Book of the Assistants), No. 743, ff. 2, 5, 7.

³ *Ibid.*, f. 45.

⁴ *Vide infra*, II. pp. 235-7, III. p. 457.

demonstrable that the joint-stock system—"the pernicious art of stock-jobbing"—was the sole and sufficient explanation of the miseries of the country. No words were too strong to condemn what was then considered to be a malign perversion of industry, destructive of commercial probity, of a well-ordered social life, even of religion and virtue. In fact the joint-stock type of organization received only a little less abuse than the directors of the South Sea company. What it proved convenient to forget was that the real proximate cause of the evil had been the veniality of the ministry and of the House of Commons. Had the legislature done its duty, it is probable there would still have been a conversion of the debt; and, through the influence of the fund of credit fallacy, consequent inflation: but, with an honest administration, the possibilities of speculation would have been less, and the subsequent disturbance of trade would have been smaller. As the scheme was actually carried through, it stands as a permanent warning to the nation both against corruption in finance and also against attempted reductions of the national debt by juggling obligations of the State from one fund to another.

Politicians sometimes find a remedy for their mistakes, but they rarely have the candour to make a public recantation of the principles that caused those mistakes to be made. Everyone at the end of 1720 blamed the mechanism which had shown the disorder of credit, no one seized upon the fallacy that had been the true cause of the distemper. Even those, who were held to be the financial experts of the time, such as Walpole and Archibald Hutcheson, maintained stoutly that credit was good, but that it had been somewhat impaired by the canker of stock-jobbing¹. In short the result of opinion in 1720 and 1721 was that the rise of the joint-stock system had been the cause of the panic, and therefore it was decided that the Bubble Act should be strictly enforced. As a consequence, no company was safe in beginning business without first obtaining a charter, and such instruments were now only granted after a more searching enquiry than had been usual in the past. Under the existing circumstances, it was fortunate that no more restrictive measures were passed. At one time legislation was contemplated to make all the bargains in stocks during the year 1720 null and void, and also to prohibit for the future every species of time-bargain in the stock of companies. It is an instance of the common sense of Parliament, even in a time of exceptional stress and excitement, that these proposals were not persisted in; since a government, which endeavoured to suppress all

¹ E.g. Hutcheson, *Collection of Calculations*, ut supra, p. 118; *Some Paragraphs of Mr Hutcheson's Treatises*, ut supra, pp. 11, 17; *Cato's Letters; or, Essays on Liberty, Civil and Religious, and other important Subjects*, London, 1733, i. pp. 6, 11-13, 17, 26, 44, 49.

speculation and at the same time continued itself to issue lottery-loans, would have been as inconsistent as the South Sea company proceeding against other undertakings for non-user or misuse of their charters, while it employed the Sword Blade house as its own banker. In truth the evils of speculation, though brought to light by the joint-stock system, arose, as already shown, from the almost universal misconception of the limits of credit, and it might possibly be maintained that it was owing to that system that the inevitable crash came perhaps sooner, but that the losses were more widely diffused and were less than they might have been had the fund of credit fallacy been translated into actual practice through the medium of State-owned land-banks or through excessive issues of inconvertible paper by the government, which proposals and others of a like nature all originated from the one error.

The legislation and consequent procedure in 1720 and 1721 might perhaps be described as the purely local treatment of a sore, instead of the healing of the malady that gave rise to it. The decision now reached arrested the development of the joint-stock system as long as the Bubble Act was rigorously enforced. It became both difficult and costly to obtain the necessary legal authorization for the starting of a new enterprize needing a large capital. In one that might have been established with a moderate outlay, which for any reason it was desirable to collect from a large number of persons, the trouble and cost proved prohibitive. Therefore, for upwards of a century, industry was deprived of the advantages of a certain amount of capital, which would otherwise have been available; till early in the nineteenth century when, in spite of the law, unchartered companies began to be formed. By that time it was recognized that the fears of Parliament in 1720 and 1721 had been exaggerated, and the act was repealed in 1825 by 4 George IV. c. 94.

CHAPTER XXII.

REVIEW OF THE JOINT-STOCK SYSTEM FROM 1553 TO 1720 : WITH A NOTE ON THE CRISES DURING THAT PERIOD.

Few industrial developments during the latter half of the sixteenth, the whole of the seventeenth and the first quarter of the eighteenth centuries are more striking than the progress of the joint-stock system. Regarded from the point of view of the wealth it controlled, the progress had been remarkable. The capital of the only undertakings of this character—the Russia company and the Adventurers to Africa—that are known to have been in existence from 1553 to 1560 was under £10,000¹, representing only about .013 per cent. of what the national wealth may be guessed to have been at that time². By 1695 the nominal capital of companies had increased to 1.3 per cent. of the estimated total wealth at that time³. Only eight years later it had doubled⁴, while in 1717 it was again doubled, being by that date no less than 20 millions⁵. At the end of 1720, adding the augmented capital of the South Sea company after the conversion and the sums then called up by the recently established undertakings, the whole amount was about 50 millions or 13 per cent. of the estimated national wealth at that date⁶. When it is remembered that of this total of 370 millions only about one-tenth consisted of instruments of trade—the remainder being lands, cattle, houses and household goods—the full significance of the proportion will be apparent. Indeed it seems that the result is a paradox, namely that the joint-stock undertakings used between them considerably more capital than the whole sum which it was calculated was

¹ *Vide infra*, II. pp. 5, 37.

² There is no estimate known for this early period; but, calculating backwards from the figures given for 1600, it may be guessed roughly that from 1553 to 1560 the national wealth might have been about 75 millions.

³ *Vide supra*, pp. 335-7.

⁴ *Ibid.*, p. 394.

⁵ *Ibid.*, p. 431.

⁶ According to the estimate of *The British Merchant* as corrected by Giffen—*Growth of Capital*, pp. 84, 85.

employed in every kind of commerce (inclusive of agriculture). The explanation, however, is very simple and depends upon the peculiar relations of the larger companies to the State. Several of them had lent the money, received from their members, to the government; and conversely, as already shown, others had been created in order that existing loans might be consolidated into their respective stocks¹. If then allowance be made for these facts, the apparent paradox is resolved; since, in the case of the South Sea company in particular, only a fraction of the great nominal capital was employed in trade. Thus, through the peculiarities of their origin, the companies used very considerably smaller sums in commerce than their aggregate nominal capitals. At the same time it must be noted that an organization had come into being, which, by 1720, possessed the control of funds at least as great as the whole estimated amount of the trading wealth of the country.

From another point of view the growth and development of the system gave rise to important results, some of which are interwoven with the history of the nation. During the first 130 years of the progress of the joint-stock company it is inseparably connected with British naval and maritime progress. From 1553 to 1568, little as the names of the Fellowship for the discovery of New Trades, the societies of the Mines Royal and of the Mineral and Battery Works suggest it, these enterprizes find their unity in relation to the equipment of the navy². The first imported masts and cordage, while the Mines Royal discovered and worked the copper from which the Mineral and Battery Works made bronze or brass, which again in its turn was cast into cannon. Moreover, the flexibility of the system was such that from 1568 to 1588 its dominant manifestation was in the financing of the numerous privateering ventures, most of which were managed by joint-stock companies³. During the next ten years (1589-99) maritime progress gave a fresh direction to this class of enterprize, and it will be found financing the earliest colonizing expeditions⁴. Thus, during the first half century of its existence, the joint-stock company was the organization which, at each successive step, provided the requisites for the obtaining both sea-power and colonial possessions. The bravery of the privateersman and the endurance of the explorer are gratefully remembered; but, at the same time, the faith of the gentlemen and merchants, who provided the necessary capital, should not be forgotten, nor the system which had worked so smoothly on the whole and that made the co-operation of the men of action and the men of wealth possible. From 1600 to 1635 the main activity of joint-stock enterprize

¹ *Vide infra*, III. pp. 275, 295, 437.

³ *Ibid.*, pp. 75-7.

² *Vide supra*, pp. 30, 31, 39.

⁴ *Vide infra*, II. pp. 241-4.

consisted in the following up of the tentative efforts of the previous decade, in a vigorous planting of colonies, joined with the prosecution of trade to tropical countries, such as the East Indies. It shows how popular the system had become that even emigrants, who were forced to leave England for religious reasons, obtained the funds required by constituting themselves joint-stock companies. To the companies of this period belongs the honour of giving England a foothold in India, Africa¹, Virginia and New England, while a Scottish enterprize attempted the planting of Nova Scotia². Closely connected in principle with the colonizing companies were those which, towards the end of this period, aimed at the reclamation of land at home by means of drainage³. These ventures constitute the first important stimulus of home-industry by means of joint-stock enterprize, and to the same branch of the movement may be attributed the fishing undertaking which belongs to this epoch⁴. The policy, that induced Charles I. to establish the monopolies⁵, reacted on the companies then in existence, and during the distraction and depression of the Civil Wars, joint-stock undertakings remained necessarily depressed. In the time of the Protectorate a tendency, which had begun earlier, attained to considerable dimensions. This was the formation of an extended partnership or company, many of which possessed large capitals, trading under the style of "A. B. & Co."⁶ After the Restoration until just before the Revolution, the joint-stock system was confined to foreign trading enterprizes and a few other undertakings of moderate size. But from about 1687 there was a remarkable expansion of activity; and, by this system, capital was provided for the utilization of the technical skill of the Huguenots and other immigrants, while from 1694—what was even more important—the joint-stock company became the means of an immensely enlarged credit, which could not have been carried on, even with a moderate degree of success, by any other method. Thus, during the first century of its existence in England, the joint-stock company was the organization that provided funds for the growth of maritime enterprize and for the beginnings of colonization. Thereafter, for about thirty years, it was instrumental in extending and consolidating certain distant foreign trades, and in the remaining quarter of a century it laid the foundations of an organization of credit on a new and augmented basis. But it has

¹ Though there had been companies trading to Africa at intervals during the second half of the sixteenth century, it was only during this period that factories began to be established.

² *Vide infra*, II. pp. 11-16, 91-112, 247-58, 306-11, 318, 319.

³ *Ibid.*, II. pp. 353-6.

⁴ *Ibid.*, II. pp. 361-7.

⁵ H. Levy, *Monopole, Kartelle und Trusts*, pp. 14, 15.

⁶ *Vide supra*, pp. 227, 247.

been shown in the previous chapter that the joint-stock company was no more than the means for improving production by arranging for the ready inflow of capital, and therefore it could only realize the prevalent economic ideals¹. Its great success up to 1720 in developing a system of credit became an element of danger, since so much had been accomplished that the impossible was expected; and, as a result, came the crisis of 1720 which again led to the arresting of a further development of the joint-stock company for upwards of a century.

The results achieved by this type of organization during the hundred and seventy years ending in 1720 being so important, whether regarded in relation to the capital controlled by companies or to the industrial and political consequences of their activities, the further question suggests itself "what were the causes of the successes achieved"? The answer—as in many similar enquiries arising out of highly complex phenomena—is not to be found in any single influence, but in the concurrence of a number of causal relations. In the first place, despite what has been written by many eminent investigators in condemnation of the exclusive spirit of early joint-stock companies, the general drift of the conclusions to be drawn from the previous chapters, as well as from the detailed histories of the individual undertakings, is that this system tended as a whole to break down the quasi-monopoly which had hitherto been accorded to the capital owned by merchants. At the middle of the sixteenth century, when there was the possibility of the commencement of a great increase in foreign trade, the practice of confining membership of the regulated companies to those who had been "bred to the trade of merchandize," would have limited this new opening to such funds as were already owned by persons so qualified. Therefore, at the time when capital was exceedingly scarce, a possible supply would have remained untapped, had there not been some means by which the wealth of those, who were not merchants, could have been made available. It is true that partnership had long been known²; but, with the changed conditions, there came a time when it was desirable that a greater capital should be invested, and hence a kind of organization came into existence with a larger membership, in which those interested necessarily had the right of selling their respective interests without obtaining the sanction of the rest. No fixed line can be drawn between a large partnership and a small company, except in this single characteristic, that the member in the latter could dispose of a part or the whole of his share in the undertaking without receiving the consent of others concerned. Thus, from an early period in England, shares were bought and sold with a considerable degree of freedom. It follows that the view that the really transferable share first came into existence in the

¹ *Vide supra*, p. 432.

² *Ibid.*, pp. 2, 15.

eighteenth century¹ cannot be accepted. Even as early as the sixteenth century, shares were sold outside personal acquaintances and without limiting conditions. For instance, a transaction is mentioned below, where Leicester had directed a share should be sold, just as a modern stockholder gives an order to his broker². In the next century adventures in the East India company were sold by auction at the court of sales³. It is true that purchasers must become freemen of the company, but in a joint-stock company there was no test for admission (as in the regulated companies), and the fine was of moderate and decreasing amount. In the second half of the century references to dealings in shares become more numerous, and the transfer books of the Royal African company—some of which are in existence—show many changes of ownership⁴. Finally transactions became so frequent that a stock and share list was printed—a reproduction of which will be found in this volume⁵. In fact, early in the reign of William III., put and call options, bear sales, and bull accounts were perfectly well known; so that, before the end of the seventeenth century, there was an open and highly organized market at London in stocks and shares of companies.

It was not only by the right of freedom of sale or purchase of shares that the joint-stock company was distinguished from the regulated type. Even at the inception of the former it is noticeable⁶ that it possessed a very large non-mercantile element. Apparently the conclusion which suggests itself is that (when two distinctive types of trading organization are to be compared, the one consisting wholly of merchants, who were skilled in the particular trade for which the company was formed or in some allied trade, while the membership of the other comprised, together with merchants in the strict sense, persons engaged in other branches of commerce, those who had retired from some industry, gentlemen and others) the former would be the more successful. Reasoning on purely general principles, everything seems to point to this conclusion. Technical skill and experience would appear to be wholly in favour of the regulated company, but, as a matter of fact between 1553 and 1720, the joint-stock type had grown enormously, and the other had failed to maintain its position. While the importance of technical knowledge can scarcely be over-rated, due weight must be given to the peculiar nature of the enterprizes to which chief attention was paid from 1553 to 1635. In foreign trade or colonizing much more than the specialized information of the merchant was required. In addition, there was

¹ Werner Sombart, *Die Juden und das Wirtschaftsleben*, Leipzig, 1911, pp. 68, 69.

² *Vide infra*, II. p. 416 (note).

³ *Vide supra*, p. 161.

⁴ Treasury Records—Royal African Company.

⁵ *Vide supra*, p. 351.

⁶ Cf. the lists of members of the Russia company, the Mines Royal, the Mineral and Battery Works, at the formation of each.

needed something of the imagination of the pioneer and of the diplomacy of the statesman. The privateering ventures, too, demanded a peculiar temperament in the investor, in so far as he must undergo very great risks in the hope of commensurate gains. Thus the admission of a strong non-mercantile element by the joint-stock company not only was advantageous in increasing the supply of capital, but also in strengthening its organization. From this point of view, that strength lay not so much perhaps in the mere introduction of capitalists who were not actually in trade, but in the union of these in one body with the mercantile classes. Either in isolation was imperfect. The short-sighted views of some of the regulated companies and the lamentable ignorance displayed in the equipment of the Darien company are cases in point. Whereas the combination of the specific and detailed knowledge of the trader with the broad outlook of the man of affairs tended towards a greater efficiency¹. This happy result is to be attributed in no small degree to the relation of classes in England where members of different social grades could work together with the minimum of friction, and both could bear adversity with fortitude². In another unexpected direction the joint-stock company had an advantage over the regulated type. The supervision of agents in distant places was far from being efficient in either case, but there is no instance on record where a joint-stock enterprise was quite so lax as the Levant company for a number of years after 1660³.

The causes already indicated tend to explain why, during the period under review, the joint-stock system aided in the extension of commerce, and why it maintained its position side by side with the regulated bodies. They do not however fully account for its great popularity. This type of organization might have been exceedingly advantageous in providing new outlets for capital and in securing not inefficient methods for controlling its use, but these were mainly gains to the nation; and, unless the individual investor tended to benefit on the whole, it would be idle to expect him to have continued adventuring his resources over a protracted period. It might indeed be urged that on general principles, at a time when capital was exceedingly scarce, the fact that such support was continuously forthcoming during more than a century and a half is

¹ This principle was stated by Child in the following terms, as early as 1681, "I am of opinion and have found by experience that a mixt assembly of noblemen, gentlemen and merchants are the best constitution that can be established for the making of rules, orders and by-laws for the carrying on any trade for the publick utility of the kingdom"—*Treatise, wherein it is demonstrated, that the East India Trade is the most national of all Foreign Trades*, in Somers' *Tracts* (1748), iv. p. 35.

² The relations of the mercantile and other classes were not so harmonious in Scotland as late as 1670, *vide infra*, II. p. 376.

³ *Vide supra*, p. 269.

sufficient evidence of the relative profitableness of these investments ; but it has been found, in the comparison of the regulated and joint-stock companies, that the legitimate conclusions of purely abstract reasoning are subject to considerable modification when corrected by the peculiar, and possibly exceptional phenomena to which they have to be applied. Fortunately the detailed examination of the finances of all the companies up to 1720, as far as data are recoverable, affords a basis for a reasonably complete induction. It can be shown precisely what dividends were paid by certain companies, and in a few cases there are plain hints indicating the amount of undivided profit either in lieu of, or in addition to, these distributions. On the other side, it can be ascertained that some undertakings resulted in a loss, while the fate of many of the remainder may be inferred in several ways. It follows that comparatively accurate information may be obtained in the case of almost all the larger and more important undertakings ; and, as a consequence, the general profitableness or the reverse of the system may be determined with some approach to accuracy. Since these details are recorded in the separate histories of the several companies, it would be needless to attempt to recapitulate them, were it not that much of the prevalent opinion on the financial results of early joint-stock enterprize depends on the industry of Adam Anderson who collected and summarized such references as he could discover. Admirable as this work was, it is misleading in some respects, especially as every statement, whatever its source, is recorded without any critical estimation of its value. Neither Anderson, nor those who have followed him, recognized that the data, instead of being scientific statements, are highly controversial documents, and that, if any approach is to be made to the truth, they must be treated as such. As in other cases of the same kind, the question of motive arises. Most of the more important documents consist of petitions to Parliament or to the Privy Council either by the privileged companies to obtain further immunities or by their opponents to secure an entrance into the trade without the cost of purchasing shares. In either case, it would have been a fatal mistake in tactics to have exhibited a particular industry as being financially successful—the company believed its case to be strengthened if it could sue *in forma pauperis*, while its opponents dare not represent the branch of commerce they wished to capture as being prosperous, else, if they succeeded, a great burden of some kind would be imposed on them by the State¹. Thus it was the interest of almost all those, who must be relied on as authorities, to represent trades, that received privileges, in the most gloomy light, and cases could be cited where most of the well-known

¹ *E.g.* at the enquiry after the Revolution, the Old East India company was forced to make a return specifying its dividends with the result that a large loan was imposed on the trade—*vide infra*, II. pp. 160, 177 (note).

references to a company describe it as being a failure, and yet, even granting these represent the facts at the time when they were each written, in the intervals between, that undertaking was highly prosperous. A remarkable instance of this tendency is to be found in the Russia company. All the petitions represent it as being on the brink of failure, yet there is the peculiar fact that it continued as a joint-stock company (or rather as a succession of separate stocks) for over a hundred years, and it is incredible that generations of investors should have continued to keep on losing their capital for such a lengthened period. Two glimpses of the detailed finances of the undertaking tend towards the solution of the puzzle. The first in 1568 to 1573 shows an expedition, counted unsuccessful, yielding a division of no less than 106 per cent., while the second covers the eight years 1608 to 1615 inclusive yielding total divisions of 339 per cent.¹, that is an average of over 42 per cent. per annum, while in the two years 1611 and 1612 90 per cent. was divided on each occasion². Results, so much at variance with the qualitative descriptions of the financial accounts of the trade, justify the obtaining and the examination of exact statistical data, when such can be found, and these tend to show, that, though joint-stock companies were by no means uniformly successful, successive generations of investors were justified by the profits in their support of the system.

In many respects the period from 1553 to 1568 was a most critical one for the joint-stock company, which was necessarily on its trial. The African Adventurers had made very large profits, and the Russia undertaking may have been successful. In the next twenty years (1568 to 1588) privateering ventures had proved most lucrative investments. While Drake's expedition round the world yielded the remarkable profit of 4,600 per cent. on the capital risked, gains of 30 per cent., 50 per cent. and 100 per cent. in similar ventures were not uncommon³. During the first twenty years of the sixteenth century the foreign trades were doing well, as may be gathered from the dividends of the East India and the Russia companies⁴. The colonizing ventures were succeeding when the former trades declined temporarily through the aggression of the Dutch. The chief failure of the epoch before the Civil War was the Fishery

¹ These distributions were made as profits, *i.e.* on the supposition that the capital remained intact. The capital however was subsequently lost and the shareholders were assessed to the extent of 35½ per cent. Therefore the nett *profits* were 203½ per cent. or 25½ per cent. per annum.

² *Vide infra*, II. p. 53. As showing the difficulty of dealing with the finances of this company, it is only candid to mention that the history of it printed below (II. pp. 36-69) has been several times re-written, as new data were discovered, and that fresh information in each case made it necessary to take a less unfavourable view of the profits of the undertaking.

³ *Vide supra*, pp. 145-7.

⁴ *Vide infra*, II. pp. 53, 101, 123-5.

society¹. Even during the period of distraction from 1640 to 1660, some undertakings were sufficiently successful to obtain profits warranting dividends of more than the customary rate of interest on good security. As instances, the United Stock of the East India company and some of the unincorporated partnerships of this period may be mentioned². From the Restoration to the Revolution came the great boom in foreign trade, when, besides paying large dividends, the East India company doubled, the Hudson's Bay company trebled, and the Royal African company quadrupled, the nominal capital by way of bonus out of reserved profits³. For the next twenty years foreign trade was depressed, but from 1692 to 1695 there was great activity in the formation of companies for the development of industry at home. There is some doubt as to the outcome of these promotions as a whole. The salving of a Spanish plate-ship yielded the adventurers the immense profit of about 10,000 per cent.⁴ The banks of England and of Scotland were successful and some of the industrial companies paid dividends, and may have given a fair return; but the remainder suffered from foreign competition when the ports were re-opened after the Peace of Ryswick. During the first twenty years of the eighteenth century almost all the companies, that maintained any degree of vitality after the crisis of 1696-7, continued to be profitable, subject to a few exceptions, where failure was attributable either to special circumstances or to downright dishonesty (*e.g.* the Mine Adventurers and the Royal African company⁵). Further, not only were the profits of the successful undertakings very considerable, but the losses of those that failed were not great in the aggregate. In several cases, where it was found necessary to wind up a company, a part at least of the capital adventured was returned to the shareholders. Where an enterprize was a complete failure, there were certain modifying circumstances which limited the loss of the members. The Royal African and Royal Fishery companies were protected from liability for loss beyond the amount of the nominal capital by act of Parliament, indeed it was supposed that all chartered undertakings were in a similar advantageous position⁶. This view is erroneous, since there are a number of instances where assessments were made on the shareholders in such companies over and above any uncalled capital, *e.g.* the Russia company, the company of Kathai, the Fishery company founded in 1630⁷. But these were the exceptions, even

¹ *Vide infra*, II. p. 367.

² *Ibid.*, II. p. 128; the Adventurers in the ship William (an interloping company in the India trade with a capital of £46,200) made divisions of 50 per cent. in one and a half years 1658-9—MSS. at the India Office, Home Miscellaneous, XXVI.

³ *Vide supra*, pp. 303, 318.

⁴ *Vide infra*, II. p. 486.

⁵ *Ibid.*, II. pp. 29, 450-2.

⁶ Adam Smith, *Wealth of Nations*, v. ch. I., Pt III. § 1 (ed. Cannan, II. p. 232).

⁷ Cf. McCulloch, *Dictionary of Commerce*—company; *vide infra*, II. pp. 47, 48,

amongst the more unfortunate ventures. In many enterprizes, such as water-supply and mining, it was possible so to manage that the loss did not exceed the subscribed capital. It is important to note, further, that most companies of this period were of gradual growth and that therefore any undertaking, that was unsuccessful from the beginning, was able to attract only a relatively small capital. It follows then that the gains of the larger and profitable companies, though subject to some deduction for the losses of the smaller and less fortunate ventures, left a large balance, giving a satisfactory return on the whole amount invested. Thus these facts explain the continuous and increasing inflow of capital into joint-stock enterprizes.

The advantage to the individual capitalists, who participated in the companies, having been established, it remains to enquire how far this was coincident with a gain to the nation. Mention has already been made of the new branches of commerce developed either altogether, or in the main, by this type of organization. These constituted the clear gain of the system, but may there not at the same time have been a loss, only discoverable after searching enquiry, and if there be such loss, it may perhaps happen that the apparent national advantage becomes transformed into an actual disadvantage? In order to deal adequately with the enquiry suggested, it will be necessary to give a fresh consideration to the question of the monopolistic elements in many early companies. Hitherto this element, which has recurred from time to time in the previous chapters, has been dealt with as far as possible from the point of view of contemporary opinion during each period. Now, it will be advisable to endeavour to approach the whole position from a wider outlook; and this investigation becomes the more necessary, since opinion on the nature and results of the early joint-stock movement has been determined by certain expressions in the work of Adam Smith.

It may be premised that the parts of *the Wealth of Nations*, treating of companies, show less of the remarkable economic investigation of the writer at first hand than almost any other part of the book. Smith depends almost altogether¹ on "that sober and judicious writer Mr Anderson," who can frequently be shown to have drawn erroneous inferences from incomplete data. Thus, in so far as Smith's enquiry on this subject is historical, it is liable to be imperfect through his reliance on Anderson. Moreover, it may well be questioned whether the meagre

59, 61, 66, 80, 367. With regard to the real loss involved in the assessment of the stockholders in the Russia company—*ibid.*, II. pp. 54, 58. The assessment on the stock of the African company in 1713 is to be regarded as the restoration by the stockholders of dividend wrongfully paid—*ibid.*, II. pp. 29, 32.

¹ His only other authority appears to have been *Examen de la réponse de M. N.... au Mémoire de M. l'Abbé Morellet, sur la Compagnie des Indes* (1769).

material is used to the best advantage. It almost seems as if Smith selected from his authority such data as would tell against certain companies, and there are a few passages which suggest—though one hesitates to say it—almost an *animus* against the East India undertaking¹. If it should turn out that there was such a bias in Smith's mind when he wrote, it may perhaps be resolved into his acceptance of the statements, made in certain periodical articles which began to appear in 1720 and which were subsequently reprinted under the title of *Cato's Letters*. Several of these deal with monopolies for foreign trade, and Smith's language is so close to that of these *Letters* that it seems possible that he had read them and been influenced by them². Should this have been so, much of the erroneous information, that he gives in relation to early companies, can be easily explained; since it is natural that essays, written just after the South Sea disaster "with an honest and humane intention to call for publick justice upon the wicked managers of that late fatal scheme," cannot be expected to be unprejudiced³.

Following the treatment of *the Wealth of Nations*, there is first of all the position of foreign trading joint-stock companies, in relation to monopolies. It is clear that if such trades, by reason of the privileges of the companies, involved higher prices, and if these industries could have been carried on by an open trade, then there is an element of national loss to be set against those of gain, already mentioned. Smith came to the conclusion that there was such loss, and that it was very great. This argument is partly founded on his view of the territorial maladministration of the East India company of his own day, partly on the history of joint-stock foreign trading companies in England since their first appearance. The former contention is founded on events, which only began after the period at which this work closes, but the latter concerns those undertakings whose history it has been its main object to trace. Perhaps the central thought in Smith's historical argument is that the administration of a foreign trading company abroad is inevitably wasteful, if not corrupt. Thus he speaks of "all the extraordinary waste, which the fraud and abuse, inseparable from the management of the affairs of so great a company, must necessarily have occasioned⁴," and elsewhere "of negligence, profusion and malversation

¹ Allowance must however be made for the fine sentences at the end of ch. vii. of Bk. iv., containing the comparison of the conduct of the councils of Madras and Calcutta "on several occasions" with "the senate of Rome in the best days of the Republic" (ed. Cannan, II. p. 140).

² Cf. in particular Letter No. 50 "Monopolies and Exclusive Companies how pernicious to Trade"—*Cato's Letters, or Essays on Liberty, Civil and Religious*, 1733, III. pp. 199-213.

³ *Ibid.*, I. p. xxi.

⁴ *Wealth of Nations* (ed. Cannan), II. p. 130.

of its own servants¹." Again in a well-known passage, he writes, "the directors of such companies, however, being the managers rather of other people's money than of their own, it cannot well be expected, that they should watch over it with the same anxious vigilance with which the partners in a private co-partnery frequently watch over their own. Like the stewards of a rich man, they are apt to consider attention to small matters as not for their master's honour, and very easily give themselves a dispensation from having it. Negligence and profusion, therefore, must always prevail more or less, in the management of the affairs of such a company²." These statements relate to the East India undertaking at the time Smith wrote; and, in his account of its early history, he is careful to say that the capital "which never exceeded seven hundred and forty-four thousand pounds, of which fifty pounds was a share, was not so exorbitant, nor their dealings so extensive, as to afford either a pretext for gross negligence and profusion, or a cover to gross malversation³." There is some difficulty in determining with precision to what period this passage is to be taken to extend. While it is true that in 1693 the capital was £744,000, at that date, owing to the doubling of the stock in 1682, this amount was regarded as fully paid⁴. Still more is Smith in error in supposing that from the end of the reign of Charles II. to the beginning of that of William III. the company was reduced "to great distress⁵." Judging from the references in Anderson, which Smith evidently had before his mind, the period to which he alludes is the eleven years from 1681 to 1691, and during that time dividends of no less than 570 per cent. were made on the original paid up amount of the stock⁶. It was a happy, "distressful" company that could divide over 50 per cent. per annum on an average for more than a decade! Apart from these minor inaccuracies, it is clear that the main thought in Smith's mind was that the joint-stock system tended towards profusion and waste; and that therefore he is inclined to ignore its financial successes and to record only the other side—even, as has been shown above, to assume results to support his pre-conceived opinion. In this connection it is most significant that during the first ten years of the history of the United company, when its capital had increased to over 3 millions, the directors required itemized accounts from each factory which were most minutely scrutinized, and the burden of their letters to India is the cry for economy which was enforced by the suspension of servants or agents who failed to comply with the directions sent them⁷. Further, in his

¹ *Wealth of Nations* (ed. Cannan), II. p. 245.

² *Ibid.*, II. p. 233.

⁴ *Vide infra*, II. pp. 145, 153.

⁶ *Vide infra*, II. pp. 178, 179.

³ *Ibid.*, II. p. 238.

⁵ *Wealth of Nations*, II. p. 238.

⁷ *Ibid.*, II. pp. 197, 198.

account of the Royal African company¹, he makes no mention of the period when it was successful and begins his history of it just when it had fallen into bad, if not dishonest, financial methods². Finding that the Hudson's Bay company had made profits, he treats it "as approaching very nearly to the nature of a private co-partnery" on the ground of "the very small number of proprietors³," though about the time he wrote there were 89 distinct holdings or 104 including those on joint account⁴; while, during the period from 1692 to 1700, it is probable that the number of shareholders was larger, since the shares were then quoted regularly⁵.

Even though Smith has been shown to be in error on points of detail in the history of early foreign trading companies, his general contention of the inefficiency of the management merits further investigation. He supposes that unremitting vigilance and attention cannot long be expected from the directors of a joint-stock company⁶. There is a remarkable contradiction of this statement on the contemporary evidence of Sir Josias Child, who describes in vivid language how his own holding in the East India company awakened him often in the night and how he had been kept from sleeping by meditation on the affairs of that company⁷. Moreover, contrary to the opinion of Smith, the foreign trading companies had met with a very considerable measure of success, and this is indirect evidence in favour of the management. In fact, while the methods of control and of internal organization were far from perfect, they were much better than might have been expected, considering the times and how undeveloped the joint-stock system was in the seventeenth century. Despite some instances of fraud, carelessness and profligacy on the part of agents abroad, numerous instances can be quoted of a remarkable devotion to duty, while amongst the directors or assistants there was a large-hearted disinterestedness, united to a careful supervision of the business, which is highly commendable. It is noteworthy that out of the great number of companies, whose affairs have been investigated in this work, the allegations of fraudulent management are comparatively rare. There were such during one period of the history of the Mineral and Battery Works⁸, also in that of the Russia company⁹, while similar breaches of trust may be taken as proved in the Royal

¹ *Wealth of Nations*, II. p. 233.

² *Ibid.*, II. pp. 21, 26.

³ *Ibid.*, II. p. 235.

⁴ *Reports from Committees of the House of Commons*, II. p. 250.

⁵ *Vide infra*, II. pp. 232, 233, 237.

⁶ *Wealth of Nations*, II. p. 245; cf. p. 233.

⁷ *Treatise, wherein it is demonstrated that the East India Trade is the most national of all Foreign Trades* in Somers' *Tracts* (1748), IV. p. 45.

⁸ *Vide infra*, II. pp. 419-21.

⁹ *Ibid.*, II. pp. 58-63.

African¹ and Mine Adventurers companies², in addition to the outstanding abuses of the South Sea finance³. It is significant that Smith mentions no less than three of the companies that may be held to be delinquents, but only a very few of those that have escaped reproach. Apart from the interpretation of the historical evidence, there remains the further question, whether the interest of a director in a company, derived from his stock, or his fees, or both together was sufficient to make him devote his energies to the business. There is clear evidence, in the early history of the East India company that this was so. The committees attended at the offices daily and refused the *honorarium* offered by the general court, holding themselves to be satisfactorily recompensed by the profits on their respective stocks⁴. Smith, in dealing with the general principles, applicable to this phenomenon, seems to have been mistaken as between two different ratios. He regarded the aggregate holding of the management in relation to the total capital of the company as the measure of efficiency, whereas the real standard was the proportion of the original cost of the stock of each individual committee or assistant to his whole wealth. If that proportion were large there were obviously sufficient inducements towards efficiency. Prince Rupert had only £300 original stock in the Hudson's Bay company, but his financial condition was such that this sum was of importance to him, and he appears to have taken a very great interest in the enterprise⁵. In the East India company the qualification of a committee was £1,000 stock, of the governor £4,000, in the Royal African company that of an assistant was £2,000—sums which would probably be of sufficient importance to most of the adventurers in the seventeenth century to make them attentive to their duties.

The erroneous conclusions arrived at in *the Wealth of Nations*, as to the inevitable mismanagement of the affairs of a joint-stock foreign trading company, lead further to the position that such organizations "have seldom been able to maintain the competition against private adventurers⁶." This is urged as a further argument against the joint-stock bodies, but the reasoning, when investigated, will be found to be a little specious. In the foreign trades under discussion concessions had to be purchased (giving the right of entry into the country), while forts and other defensive appliances were judged necessary. The private trader obtained the benefit of this outlay by the company; and therefore irrespective of the quality of the management, he could carry on his

¹ *Vide infra*, II. p. 29.

² *Ibid.*, II. pp. 450-2.

³ *Ibid.*, III. pp. 334-44.

⁴ Court Book, East India Company, III. September 1, 1615.

⁵ *Vide infra*, II. pp. 229, 230.

⁶ *Wealth of Nations*, II. p. 233.

business on a much lower capital outlay. If a statement, compiled by the East India company about 1685 may be relied on, expenditure of this nature amounted to between one-fifth and one-quarter of the whole¹; and therefore, in these foreign trades, the private trader in competition with a joint-stock company, would certainly have had a distinct advantage, through the appropriation of the fruits of the risk and labour of others. In spite of such advantage it appears that, owing to the risk involved, the individual trader had been almost driven out of the interloping business towards the end of the seventeenth century; though at that time these voyages were numerous, the great majority of which were carried on by stock-joint companies with a considerable membership².

This question of the existence of fortifications introduces the further enquiry as to the economic and political position of foreign trading joint-stock bodies in relation to monopolies. Adam Smith admits the need for forts in the East India and African trades, and he saw that these could not be efficiently maintained by regulated companies. Further, there may be added the necessary additional outlay, in the purchase of the right of trading from the native rulers. When such large expenditure had to be incurred, it was reasonable that the benefits, resulting from it, should be confined to those persons who had provided the capital. This was the justification of the monopolies for foreign trade in equity. The plea of "the natural liberty" of 1604 or of extension of individual freedom in 1682³ (to mention only two instances) represents that reprehensible species of hypocrisy, which aims at a private gain, at the expense of others, under the plea of public service. Moreover when it is said that, by the monopoly of such a company, "the other subjects of the State [*i.e.* those who are not members] are taxed... by their total exclusion from a branch of business, which it might be both convenient and profitable for many of them to carry on⁴," two important facts are overlooked. In the first place, through the joint-stock system, it was possible for anyone, wishing to adventure his capital, to do so by purchasing stock, and it has been shown elsewhere that, even at an early period, transfers of shares were much more common than might have been supposed⁵, in fact, soon after the Revolution it is stated that the whole nominal capital of the East India company changed

¹ *Vide infra*, II. p. 147.

² *Ibid.*, II. p. 162.

³ Alluded to by Adam Smith as "when the principles of liberty were better understood," *Wealth of Nations*, II. p. 238. It will be remembered that the interlopers from 1682 to 1698, were those, who after the split in the old East India company, were endeavouring to capture the control of it—*vide supra*, pp. 323, 324; with reference to the motives behind the declaration of 1604 *vide supra*, p. 121.

⁴ *Wealth of Nations*, II. p. 245.

⁵ *Vide supra*, p. 443.

hands once in two years¹. If it be urged, that, while this contention meets the case of the would-be East India merchant as far as the profit on his capital was concerned, he remained deprived of the further earnings he might gain from his work in controlling his own enterprise. In fact, as an independent trader, he would have both wages of management and profit on capital, if he were permitted to send ships to India: whereas, as a stockholder in the company he was confined to the latter alone. But there were further compensations for the would-be trader. The East India company was often charged with reserving offices of profit for those who were members or relatives of members. Thus, in the case specified, if a purchase of stock were made by a man possessed of some experience of foreign trade, he had the opportunity of receiving not only a dividend but of earning a salary. Suppose further the would-be adventurer were unwilling to adopt this course, he might still trade independently by purchasing a license for one or more "permission ships," the cost of which license might be taken roughly, in the case of the East India trade, as his contribution towards the interest of the sums invested in dead stock by the company². Finally, if he believed that the trade could be improved, he might endeavour to establish himself in spite of the privileges of the companies. This course was as a rule only possible by the formation of an interloping company, and it is a curious commentary on Adam Smith's views on the superiority of the management of a single individual or a partnership, as compared with that of a company, that as far as can be discovered, few individual traders who broke into chartered limits succeeded, but that from time to time several small companies in the same class of business met with at least a moderate amount of good fortune. Further, if such companies or individuals (if there were such individuals) were able to maintain their position, an arrangement was eventually arrived at with the chartered undertaking, generally of the nature of an amalgamation. The earliest agreement of this kind was that made by the act of 1566 in the case of the Russia company³. Similarly in the reign of James I. the Scottish Whale fishing undertaking was purchased by the joint committee of the Russia and East India companies for this industry⁴. Again the interloping India company of the time of Charles I. was eventually amalgamated with the chartered body⁵. Finally, during the middle of the seventeenth century, there were frequent re-adjustments of fishing grounds between the Greenland company and the rival undertakings,

¹ *Vide infra*, II. p. 154.

² *Ibid.*, II. p. 149. It may be noted that there are grounds for thinking that this system was abused by the Royal African company—*ibid.*, II. p. 22.

³ *Ibid.*, II. pp. 41, 42.

⁴ *Ibid.*, II. pp. 55, 104.

⁵ *Ibid.*, II. p. 121.

some of which were organized on a joint-stock basis with a comparatively large membership¹. Thus it will be seen that there were many avenues, open to a man with capital and ability, to obtain extensive advantages from any one of the so-called exclusive trades.

Adam Smith charges the companies, holding a monopoly, with levying another kind of tax "by the high price of goods, which, in the case of a free trade, could have been bought much cheaper²." The allegation, made against the companies, was disputed on their behalf, and some interesting statements were made, which are noticed in *the Wealth of Nations*³. Several of the difficulties, that Smith had in his mind at a later date, were operating with greater force in the seventeenth century. The chief of these was the necessary outlay on dead stock (the purchase of concessions, fortifications etc.)⁴. There can be little question that at this time such outlay was unavoidable. It could not be provided satisfactorily by a regulated company⁵, and independent traders could not be expected either to raise such funds or to take the necessary trouble. Smith's solution was that, while a company might receive a monopoly on the first discovery of a trade for a number of years (as in the case of an invention or copyright), on the expiration of that term the dead stock should be taken over by the State, its value being paid, and the trade laid open to all subjects of that State⁶. Up to 1720 there was one great, indeed insuperable objection to the carrying out of this suggestion. The State would have incurred the obligation of maintaining the fortifications, recompensing itself, if necessary, for the outlay and for interest on the price of the "dead stock" by an additional levy on all the goods of the trade. But the condition of home and foreign politics up to 1720 was such that, while the duty would no doubt have been collected, nothing could have been done in return for it. None of the Stuarts could have been expected to maintain forts in India, indeed

¹ *Vide infra*, II. pp. 72-4. The whole course of the East India trade from 1690 to 1708, involving the foundation of a second company and the final amalgamation of the two might also be adduced, but there appears to be good reason for believing that the interlopers were endeavouring, after they had sold stock in the Old Company at a high price, to force down quotations and then to regain control.

² *Wealth of Nations*, II. p. 245.

³ *Ibid.*, II. p. 239.

⁴ It was often argued, on behalf of the foreign trading bodies, that all the leading European countries agreed in carrying on certain branches of foreign commerce by means of joint-stocks. To this Smith replies by instancing the case of Portugal which "enjoyed almost the whole of it [i.e. the trade with the East Indies] for more than a century together without any exclusive company" (*Wealth of Nations*, II. p. 132). Literally the statement is true, but it must be added that the early connection of the Portuguese with India is such as to afford a strong argument in itself for other countries adopting some other course for the management of that trade (cf. *A History of British India*, by Sir W. W. Hunter, 1899, I. pp. 93-185).

⁵ *Wealth of Nations*, II. pp. 228, 229.

⁶ *Ibid.*, II. pp. 133, 245.

Charles II., instead of retaining Bombay, rented it to the company for £10 a year. Cromwell, possibly, might have been able to have kept up the garrisons and to have given naval protection. He had the opportunity, since, about 1655, all the forts in India and Africa could have been purchased for about £10,000. He re-incorporated the company, though it may be doubted whether his action was due to the strength of its case or to other inducements¹. After the Revolution, the French Wars were sufficient to preclude any prudent government from adding to its responsibilities. Moreover there was the financial difficulty. Smith speaks of the value of the dead stock being paid to the company. An inspection of the finances shows that, up to 1720, it would have been quite impossible to have met any fair claim in cash. In 1685 the book-value of the dead stock of the East India company was over £700,000. By the time of the amalgamation in 1702, that of both the Old and the New undertakings was rated at £400,000 only. Small as this sum appears, it could not have been raised at the time, unless exceedingly tempting terms had been offered. The only remaining method would have been to endeavour to make payment in some form of government security. In view of the history of the Bankers' debt², no one would have accepted such, without most stringent guarantees before the Revolution, and afterwards the depreciation would have been so great that there would have been a real injustice to those expropriated. Thus, there can be little doubt that, in the period ending with 1720, a transfer of the kind, indicated by Adam Smith, would have been exceedingly injudicious. In a few years after the forts had been handed over, the garrisons would have been reduced or withdrawn. The Dutch company would have seized such an opportunity to harry and oppress the English traders, who in time would have been forced either to abandon the trade or else perhaps to combine in a new company for self-protection. Had the latter course been the one followed, the new body would soon have obtained a fresh charter of monopoly. On the whole, the former alternative is the more probable; and it would have involved higher prices of Oriental commodities in England, since the Dutch organization would at once have raised quotations.

In view of all these various considerations it may be concluded that the special foreign trades under investigation could only have been

¹ *Vide supra*, p. 258.

² The principal and interest by 1698 came to ...	£3,321,313	10
of which the bankers received only ...	664,263	0
Deficiency ...	2,657,050	10

—*The History of Banking*, by W. J. Lawson, 1850, pp. 202, 203; *History of the Earlier Years of the Funded Debt from 1694 to 1786* [C—9010], p. 14; Andréadès, *History of the Bank of England*, pp. 39–41.

carried on, if they were carried on at all, by joint-stock companies with far-reaching privileges. The question still remains, whether it was really advantageous that they should be entered on by England at this time; in other words was the country "ripe" for the East India trade in the early part of the seventeenth century¹? According to Smith's argument "poor countries" tended to gain by their refusal to foster a distant foreign trade, since the capital required must have been withdrawn from the use to which it would otherwise have been put at home or in a nearer foreign trade. Data are available, which though not quite complete, throw some light on this discussion. Assuming that the total wealth of England at the date of the foundation of the East India company was 100 millions², and that the average capital employed by this undertaking was not more than £200,000 in any one year up to 1617³, it follows that the latter amount was only one-fifth of one per cent. of the former; and it is to be remembered that, during these seventeen years, great additions were being made to the wealth of the country. In one respect, however, this calculation is scarcely sufficiently definite, since in a country so predominantly agricultural as England was then, the ratio needed is rather that of the capital, required for commerce to distant foreign countries, to the resources used in trade of all kinds (exclusive of the cultivation of the soil). Towards the end of the century, such wealth was about one-tenth of the whole; and, if the same proportion applied in 1600, it would come to about 10 millions. Further, if the average sum employed in the Russia, East India and African trades be estimated altogether at a quarter of a million, this involved the employment of about one-fortieth of the whole trading capital in these companies. Taking into account the increase in wealth from 1600 to 1617, the proportion towards the end of the period may not have been more than one-fiftieth. This was possibly too large a percentage to risk, but the small success of the Second Joint-Stock of the East India company tended to curtail this class of investment, and, from 1658 to 1662, when new stocks were raised for both the Indian and African trades, the total capital they employed was very little more than one per cent. of that which may be estimated as devoted to trade at this time. Thus it might perhaps be contended that, from this point of view, England entered on distant foreign trades before the country was "ripe" for these enterprizes, but there is another side to the question. Adam Smith, in his estimation of the position of a "poor country" in this respect, takes account of the different possible levels of prices of the commodities affected, according as it enters on or refrains

¹ *Wealth of Nations*, II. pp. 132, 133.

² Giffen, *Growth of Capital*, p. 83.

³ *Vide supra*, pp. 146, 147.

from these trades. While he allows that by refraining from what he holds to be an artificial fostering of them, the commodities that would otherwise have been imported directly would be "somewhat dearer¹," he evidently considered that the absence of the competition of such a country in the European market was not a material element in the situation. In this respect the reasoning does not apply to the position of England in relation to distant foreign trades at the beginning of the seventeenth century. Had there been no English East India company at that time, the Dutch would have had an almost absolute monopoly for certain oriental goods in the markets of northern Europe. There is evidence that the establishment of the English undertaking led to great reductions in the price of the commodities affected. Thus, while from the point of view of the symmetrical apportionment of the national trading capital, it might possibly be urged that by reason of receiving monopolies, some of the joint-stock foreign trading companies were founded too soon, such loss, if it existed at all, was more than covered by the reduction in prices.

It has been necessary to examine at considerable length Adam Smith's views on foreign-trading joint-stock companies up to 1720, not only from the great weight to be given to any of his views, but also, since his opinions on these undertakings determine in part his attitude to similar organizations in the home trade. His rooted convictions as to the inefficiency of joint-stock management, added to the disrepute into which the system had fallen after 1720, account for the function he assigns to these bodies. "The only trades," he writes, "which it seems possible for a joint-stock company to carry on successfully without an exclusive privilege, are those of which all the operations are capable of being reduced to what is called a routine, or to such a uniformity of method as admits of little or no variation." There are four industries, and only four, which are covered by this description, namely banking, fire and marine insurance, water supply and canal-navigation². This

¹ Malynes states that East India commodities could be bought cheaper in Lisbon before 1580 and sold at lower prices in England than after the East India company was formed—*Center of the Circle of Commerce*, London, 1623, p. 108. According to Thomas Mun, on the establishment of the company, prices were reduced by as much as 66 per cent.—*A Discourse of Trade from England into the East Indies*, London, 1621, in Purchas, *His Pilgrims* (1906), v. p. 267; Anderson, *Annals of Commerce*, II. pp. 373, 374. Both statements may be true, since, after the accession of Philip II. of Spain to the throne of Portugal in 1580, the Lisbon market was closed to Englishmen, cf. *The Naval Tracts of Sir W. Monson* (ed. by M. Oppenheim—*Publications Navy Records Soc.*, XXII. p. 150).

² *Wealth of Nations*, II. pp. 246, 247. It is noteworthy that Smith does not mention life-assurance, which, owing to the length of time over which a policy extends, is suitable for joint-stock enterprise. When Smith wrote, the system of

description is of great interest as an estimation of what had been achieved by the joint-stock system, written more than two hundred years after its inception in England. It appears however that it calls for modification in several respects. It may well be doubted whether the element of monopoly is absent to the extent supposed. Though there was competition in banking in Scotland, in London the Bank of England had a monopoly against companies but not against individuals or partnerships not exceeding six persons. The water-supply of towns or inland navigation involved in fact some species of local monopoly. Thus in three of the four classes specified, there is involved at least a trace of monopoly.

Further, in view of the history of banking and the other industries, it is by no means clear that the success of the joint-stock system can be assigned in these cases to the nature of the businesses being reducible to a routine. Joint-stock banking, at its inception, was full of surprises, and each institution had different methods. In London about 1695 there were, besides the Bank of England, the Million, the Orphans' and a number of Land banks. Later there were the Sword Blade and Mine Adventurers companies¹. Now, if routine had been the main element in success, it would be difficult to quote any class of business more subject to surprises, and certainly there was very little that was not purely experimental in the first quarter of a century of the history of the Bank of England. Thus if "absence of variation" was the true criterion of success, this institution should not, indeed it might almost be said *could* not, have made its footing good. Methods of insurance, too, were in a constant state of flux; there was no routine, for (except in marine risks) there was no definite knowledge to be taken as a guide². Water-supply undertakings, too, were in a peculiar condition during the first ten years of the eighteenth century. As shown elsewhere³ there was a war between the systems of supply adopted; and, during the boom from 1692 to 1695, a considerable number of companies had been promoted. Though each had an area in which there was no competition, most of them were both making and meeting aggressive attacks in their

life-insurance had not been developed, though the Equitable Society (1756), by constituting a body of "charter-founders," was midway between a mutual society and a joint-stock company—Walford, *Insurance Cyclopaedia*, II. p. 579.

¹ That is the second Sword Blade company or the land development undertaking, which carried on banking. The third Sword Blade undertaking was also a bank, but it was certainly a partnership—*vide infra*, III. pp. 436–42.

² The methods of Charles Povey, the founder of the Sun Fire Office, were always changing—*An Account of the Fire Insurance Companies, associations, institutions, projects and schemes, established and projected in Great Britain and Ireland during the 17th and 18th Centuries*, by F. B. Relton, London, 1893, pp. 262–315.

³ *Vide infra*, III. pp. 13, 14.

respective outlying areas. Thus, while there was a possible part of the business where there was no actual competition and where consequently a fixed set of rules might be followed, in the remainder original methods of seeking consumers were required. It follows then that, though at a later date the classes of enterprise specified may have been reducible to set rules, up to 1720 they were all (with the exception of water-supplying to some extent) in the position of new industries each of which had to create its own organization. The explanation of the success of joint-stock management in banking and insurance is to be found in its peculiar advantages for these and other types of financial business. A company, which had made a large loan to the State (*e.g.* the Bank of England and the two marine insurance corporations¹), or which owned a great quantity of government securities (*e.g.* the Million Bank²), or which again had made available as security freehold ground rents (*e.g.* the Fire Insurance company, founded by Barbon³) was in a strong position to answer any sudden large demands made upon it. Thus, while failures of private insurers and of private bankers were common, the increased credit of a joint-stock company was conducive to stability. The case of the water-supply undertakings differed. There, the reason for the introduction of the joint-stock system was often the relatively large fixed capital that had to be sunk before any return could be obtained, and the same principle would apply to the making of a canal. Thus in banking, insurance, water-supply and inland navigation, the joint-stock system was introduced primarily through the large capital required for efficiency; while, in the former two industries, there was the additional gain in a great increase in credit, first from the large capital subscribed; and in the second place and in addition through the remaining wealth of the stockholders as a further security towards the discharge of the engagements of such companies. The great defect, not so much of the joint-stock system in itself, but of that system as applied in practice at the close of the seventeenth and the beginning of the eighteenth centuries was that it was not recognized that, if the association of capital was artificially pushed beyond the amount necessary for the credit of a certain industry, grave dangers might arise, as was actually the case during the South Sea boom⁴. It is a marked want in Adam Smith's treatment of the whole question that he fails to take account of the gradations between the true partnership and the overgrown company,

¹ *Vide infra*, III. p. 205.

² *Ibid.*, III. p. 275.

³ *Ibid.*, III. p. 375.

⁴ Cf. *Wealth of Nations*, II. pp. 235, 236—"The South Sea company...had an immense capital divided among an immense number of proprietors. It was naturally to be expected, therefore, that folly, negligence, and profusion should prevail in the whole management of their affairs. The knavery and extravagance of their stock-jobbing projects are sufficiently known."

with a dangerous surplus credit. The latter was not a consequence, but an abuse of the joint-stock system, and the evils to which it gave rise are to be assigned to this abuse and not to the legitimate and necessary development of the idea of joint ownership of capital, extended from time to time according to the needs of the industry, carried on by its aid. Between such a dangerous organization, forced into a false position by the act of the State through the conversion of loans, and the small partnership, it was proved by experience that there was ample room for organizations of capital—some only a little larger than the partnership, others considerably larger and yet others very much larger. Moreover, during the early history of the system, its applicability was almost the reverse of that suggested by Adam Smith. The capital of companies was used in the main, at the time at which each undertaking was started, for ventures which were either altogether new trades, or revived industries, or those proposed to be conducted by new methods, or again in cases where there was an exceptional degree of risk. The advantage of joint-stock ownership in such enterprizes was obvious; for, while no individual would be prepared to undertake the whole liability, a number of persons, acting together, were willing to provide the funds required. This interpretation of the facts includes the phenomena of the appearance of companies in new foreign trades, in privateering, in colonizing and in the development of inventions, as well as in the effort to introduce manufactures, already established abroad. A remarkable instance of the latter tendency is to be found in the analysis of the promotions during the boom of 1692. Some of these new or naturalized trades seem to have met with a fair measure of success, and no doubt the profit of the whole group would have been larger, were it not that these industries were started when several of the competing foreign countries were excluded, owing to the war. Peace brought a return of such competition, and the limitation of joint-stock enterprize after 1720 precluded the renewal of this species of investment for a lengthened period. Reviewing the results of such employments of capital by companies in hazardous ventures as far as they can be ascertained, it appears that, as might be expected, while there were numerous non-successes, in some cases the profits were very great. Thus on the whole, during the first one hundred and seventy years of its history, the joint-stock system had shown itself fitted for undertakings requiring a large capital, or a large credit, or again where the element of risk was great.

The success achieved was not all gain. It was in fact only the balance remaining after allowing for the disadvantages inevitable in the development of a new type of organization. For over a century most of the companies were determined in their development by the relation of the system to the partnership on the one side and to the regulated

company on the other. Such of the undertakings, as were incorporated, failed to realize the full benefit of the clause giving them "perpetual succession." It is true that many of the charters remained in being for very long periods, but during that time, as a rule, there were many separate stocks. Thus the man, who joined a company at its foundation, might be interested in many distinct undertakings, all carried on under that charter. It follows that, while from the legal point of view, there was only one company, from the financial standpoint, there had been many. This fixed idea, favouring terminable stocks, neutralized the advantage of perpetual succession, by failing to make the joint-stock independent of the decease of individual members, and so "the clamour of widows and orphans" was often heard in the courts of the East India company, when the winding up of some stock was delayed. It has been shown above that it is probably owing to the crisis, occasioned by the misfortunes of the years 1665 to 1667, that a permanent capital for foreign trade was accepted as desirable¹. Altogether irrespective of the difficulty of making permanent outlay, as long as terminable ventures were the rule, there was the great disadvantage that no reserves of undivided profits could be retained, and thus it sometimes happened that an undertaking might be flourishing at one time and ten years later be involved in great difficulties.

Side by side with the financial improvement in organization, there was a development in the methods of administration. The progress of municipal government as well as the growth of the regulated company had afforded models for the conduct of business as far as the control and representation of individuals were concerned. Therefore, so far, the early joint-stock companies were proceeding along a road already travelled. If, on the other hand, their membership was small, it was possible to modify the procedure of the partnership to suit their needs. But in either case, it became necessary to create machinery by which the member was regarded, not as an individual, but as representing so much of the capital of the undertaking. Thus his voting power had to be determined, also the exact amount of weight to be assigned to his "voice" in the management of the concern. As shown elsewhere, the whole question of voting-rights became complicated by personal and political dissensions in the Virginia and Somers Islands undertakings from 1619 to 1624 and later in the East India company towards the end of the reign of Charles II.², which is of great historical importance as introducing the "sliding-scale" and the "maximum vote"; and diversity of practice on these points continues down to the present day. As time went on, though there were changes according to circumstances,

¹ *Vide supra*, pp. 280, 281.

² *Ibid.*, pp. 163, 321.

the relation between the management and the other members became settled on the basis that the former decided points of detail, while questions of principle were debated, often very earnestly, at the general courts¹.

One possible danger was happily avoided, namely the undoubted risk of fraud by the management. No doubt there were cases of deliberate and inexcusable deceit, as well as of falsification of accounts, but in the joint-stock, that was not overgrown, these are sufficiently rare—a result that is highly creditable to the commercial probity of the nation at this period. The remarkable episode of the South Sea company arose from special circumstances, which were accretions to, not direct developments of the joint-stock system². However the fact that it was undoubtedly this system, which, though not the cause, was the instrument by which the crisis of 1720 came into being, suggests the enquiry as to how far the existence of joint-stock companies either tended to produce or to intensify disturbances of credit. It has already been shown that, though the crisis of 1696–7 was attributed to “stock-jobbing,” the real cause lay deeper³. Possibly if there had been no joint-stock system, this panic might have been more confined. On the other hand, it is not improbable, on the same supposition, that the crisis, which must have been produced some time by the exaggeration of the fund of credit, might conceivably have been even more serious⁴. On the other side, successive crises had important effects on the financial condition of most of the companies then in existence.

It is somewhat remarkable, that in reviewing the crises before 1720, a fairly well marked periodicity appears to manifest itself, and there is a most striking repetition of years of danger, in the same relative positions, in the century from 1550 to 1650 and from 1650 onwards. Almost invariably, precisely the same year, in each decade of the two centuries compared, can be shown to have been one of crisis. The following table sets out the years of crises during the whole period, arranged to show the parallelism :

¹ The statement of Adam Smith (*Wealth of Nations*, II. p. 232) that “the greater part of those proprietors [*i.e.* in a joint-stock company] seldom pretend to understand any thing of the business of the company” is not borne out by the evidence up to 1720. The minutes of the East India company record very full discussions; and, in the time of Elizabeth, men like Burghley, even Elizabeth herself, took a personal interest in their investments; while, at the beginning of the history of the United East India company, the decisions of the directors were sometimes reversed at the general courts.

² *Vide supra*, p. 432.

³ *Ibid.*, p. 357.

⁴ *Ibid.*, pp. 437, 438.

Table, showing Crises from 1550 to 1720.

1558-9	1658-9
1563-4	1664-7
1569-74	1672-4
1586-7	1686-8
1596-7	1696-7
1620	1720
1630	
1640	

This table seems to suggest a series of decennial periods. The first contains two members of a chain, 1558-9 and 1569. Then comes a break, followed by a second pair, also separated by ten years, namely 1586-7 and 1596-7. This is followed by another break, and the series changes to 1620, 1630, 1640. There were again a group of crises on either side of 1649. It is exceedingly striking that the first two series repeat themselves step by step up to 1696-7, just in every case a century later. The parallelism begins in the third series again, but the results of Jevons are too incomplete to enable the table to be extended with confidence, and the same qualification applies to those of Juglar, relating to Great Britain¹.

Looking at this table, one is inclined to say that it is too symmetrical to be true. Though there were crises in the various years mentioned, disturbances of this kind were so frequent in the sixteenth and seventeenth centuries that it is possible to extend the list very considerably. Moreover, a distinction has to be noticed in the degree of the crises. Some were of much greater intensity than others; and obviously an approach to decennial periodicity which depends on the inclusion of minor crises, if they happen at a time suitable for this theory, while major ones are overlooked, is scarcely satisfactory. Further a difference in the nature of the data has to be noticed. Before 1692 (when prices of stocks are first continuously recorded), the chief sources of information are qualitative, rather than quantitative. The records show at the earliest period the impossibility of renewing loans, great increases in the number of failures, sometimes an almost complete suspension of business, with an absence of credit. After banking became established, information as to "runs" is also most important. Moreover the extent of a "decay of trade" affords some measure of the force of a preceding crisis, as measured by the subsequent depression. Still, even with such data, it is sometimes not easy to distinguish precisely between the crisis itself and the succeeding depression, nor between a major and a minor crisis. Fortunately, after 1692, the regular quotations of stocks, together with other statistical data, enable exact statements to be made, both as

¹ *Investigations in Currency and Finance*, by W. S. Jevons, London, 1884, pp. 210, 211; *Des Crises Commerciales*, par Clément Juglar, Paris, 1889, p. 294.

to the duration and the severity of these disturbances. Such particulars show that one reputed crisis may be dismissed as imaginary. This is that assigned by Jevons to the year 1700 by a process of reasoning back on a decennial periodicity from 1720¹. Also the only crisis, mentioned by Juglar between 1708 and 1720, that of 1714, must be relegated to a subordinate position². Moreover, in addition to a knowledge of the years of crisis, it is necessary to know the periods of good and bad trade respectively, so as to be able to gauge the ebb and flow of prosperity, and therefore the following more detailed statement has been prepared :

The Years of Good and Bad Trade, respectively, from 1558 to 1720
(serious crises being indicated by heavy type).

Remarks	Good trade	Depressed trade	Crises	Remarks
trade fair to good.	1562-3	1559 (end of year) 1561	1558-9 1560	Famine 1556-8. English bills refused abroad.
trade fair to good.	1565-8	1564 (winter)	1563 (Aug.) to 1564 (Aug.)	Plague (the number of deaths said to be 20,000), interruption of trade with Flanders, famine.
the eleven good years.	1575-85		1569 (Jan.) to 1574	Seizures of English goods in Flanders, January 1569, followed by failures. Norfolk's insurrection, December 1569, followed by failures. Bad harvests from 1571 to 1574. It is slightly uncertain whether the years 1570-4 should be classed as a part of the crisis or of the subsequent depression.
the seventeen bad years—trade depressed.		1588-96	1586-7	Babington plot, failures, bad harvest 1587.
		1598-1602	1596-7	Plague, 1592—deaths in London 11,503.
			1603	Famine, 1595-8.
the seventeen good years.	1603-16 1618-20		1616-17	Plague, deaths in London 30,561. Crisis in cloth trade.

¹ *Investigations in Currency and Finance*, London, 1884, p. 210.

² *Des Crises Commerciales*, Paris, 1889, p. 294; cf. *supra*, pp. 391, 392. Schmoller, *Les Phases Typiques des Crises Économiques* in *Revue Économique Internationale*, i. p. 140, mentions the crisis of 1711 as intervening between those of 1696 and 1721.

Remarks	Good trade	Depressed trade	Crises	Remarks
Trade fair to good.	1626-8	1628-9	1620-5	Effects of crisis in cloth trade, Dutch competition in foreign trade, default of East India and Russian companies, bad harvests, plague deaths in London 35,403.
	1631-6		1630	Famine, tonnage dispute, plague deaths in London 1,317.
			1636-7	Depression through the monopoly of Charles I., plague, deaths London 10,400.
		1638-9	1640	Seizure of bullion by Charles (July), of pepper (Aug.), plague deaths 1,450.
Trade very depressed and interrupted through the Civil War.		1642-5		
			1646-9	Exhaustion of the country through the Civil War, great dearth, high taxation.
		1650-1	1652-4	Losses of shipping in the Dutch War, possibly too effects of the Navigation Act.
		1655-7	1659-60	Losses in Spanish War, especially in cloth trade, strain of continued high taxation.
	1660-4		1664 (winter) to 1667 (July)	Dutch War, plague (deaths 68,596) Great Fire, Dutch Fleet in the Thames, 1667. Run on bankers.
	1667-71		1672	Stop of the Exchequer, failure of bankers.
Trade fair to good.	1674-8		1678	Prohibition of trade with France on expectation of war with Holland run on bankers.
Trade very active.	1679-81		1682	Run on bankers occasioned by state of home politics, foreign trade little affected.
		1684-6	1686	Depression in cloth trade, failure of Corporation bank, foreign trade still fairly prosperous.
		1687	1688	Revolution—run on bankers.
		1689-90		

Remarks	Good trade	Depressed trade	Crises	Remarks
Home trade active, foreign trade very depressed through war.	1692-5		1696-7	The financial strain of the war, exaggerated ideas of the nature of credit, bad harvests, suspension of cash payments by Bank of England, failure of Land bank schemes.
Great prosperity.	1699-1700	1697 (end)	1701 (Feb.)	Tension between East India companies, political situation, run on banks and consequent failures.
		1702-3	1704 (Oct.) to 1708 (Feb.)	Losses in the war, financial strain, tension between England and Scotland, fears of a French invasion, run on Bank of England.
		1708-10	1710-11 (winter)	Financial strain of the war, change of ministry.
Return of confidence, relief of the financial strain by conversion of unfunded debt into stock of South Sea company, 1711.	1712-14	1711	1714 (Jan. to April)	Fears as to the succession, reported death of Anne, run on Bank of England.
	1714 (Aug.) to 1715 (Aug.)		1715 (Oct.)	Rebellion.
	1716		1717 (Jan. to March)	Walpole's conversion scheme.
	1717-18		1718 (Oct.)	Fears of an invasion.
Lackening of trade in 1719, followed by very great speculative activity.	1719-20 (summer)		1720 (Sept.)	Panic, following the collapse of speculation.

This tabular statement is not intended to supersede the accounts of these various crises in the previous chapters, but merely to present the salient characteristics in a condensed form for easy reference. These particulars are of considerable importance as a means of testing some of

the current theories of crises by new evidence. Symmetrical as is the parallelism between certain years, a century apart, it can be stated confidently that, when the full list of crises is examined, the decennial periodicity does not apply within this epoch. Though there are traces of it, each series only begins to break off abruptly. Therefore still more is the sun-spot theory impossible; since not only is the periodicity too incomplete, but where there should have been, on this assumption, a maximum of prosperity there is instead an intervening crisis. It might appear that the frequency of the appearance of "famines¹," as associated with years of disturbance, is some evidence in favour of this or a related theory. But such coincidence is far from universal. The series of very bad years which ended in 1700 had begun in 1694 at which date until early in 1696 the home trade was very active, while again there was a famine in 1709 which year represents the height of a relatively good period. Again the explanation that the crises were due to over-speculation², must necessarily be ruled out for the whole period before banking was developed. Scarcely any trace of this element can be found prior to the Revolution, since excessive inflation of prices was soon checked, when credit-instruments were almost totally wanting. Nor can over-production be assigned as the main cause³, though occasionally there are indications of capital tending too much into one direction. Possibly, apart from the boom of 1720, the most interesting instance of something akin to this tendency, was the too great fitting out of privateering expeditions from 1580 to 1586. Fundamentally the miscalculation was the same as that in over-production, namely that too much capital was invested in this direction with the result, not merely of reducing the yield per cent., but also probably the whole aggregate return⁴.

The chief objective theories having proved unsatisfactory, it cannot be said that the subjective explanation, such as the Psychological hypothesis⁵, is more explanatory of these early crises. The importance of bad harvests, plague, interruption of commerce by war or sudden shocks to credit through bad government are too marked to be ignored. Therefore there is the difficulty that, if reliance is placed exclusively on some objective cause, instances can be quoted where that cause has been in operation and there was no crisis; while, on the other hand, there is sufficient evidence that the purely subjective theory can only be accepted if the recurrence of certain objective conditions is taken for granted.

¹ *Des Crises Générales et Périodiques de Surproduction*, par J. Lescure, Paris, 1910, p. 19.

² *Geschichte der Handelskrisen*, von Max Wirth, Frankfurt, 1890, p. 17.

³ *Das Grundgesetz der Wirtschaftskrisen*, von R. E. May, Berlin, 1902, p. 6.

⁴ *Vide supra*, pp. 85-88.

⁵ *Economic Crises*, by Edward D. Jones, New York, 1900, pp. 180-217.

This reasoning, if well-founded, points to the joint action of subjective and objective conditions, which in the period under review takes the form of what may be described as the occurrence of "the unforeseen". It is the function of those, engaged in industry, to forecast the future; and the whole normal course of trade may be regarded as an epoch in which such estimations are moderately correct on the whole, the more successful man being he who is more frequently right in his discounting of the future, and conversely. It is when the forecast of the majority of traders is in error that a crisis results. The cause of the miscalculation may lie either mainly in the men who judge or in the events to be judged. Things that are unpredictable are liable to cause crises, if of sufficient importance. Numerous instances of these are to be found in the crises of the period from 1563 to 1672. Chief in importance is a sudden and unexpected total interruption of trade between two important markets. In this respect an outbreak of plague was a very disastrous event, and out of nine important crises it will be found to have been present in no less than six instances. During the same period, too, there were other kinds of sudden and unforeseen interruptions, as for instance the concurrence of seizures of English goods in Flanders and the insurrection of Norfolk both in 1569. It was equally impossible to forecast occurrences, such as the seizure of bullion in 1640 or the "stop of the Exchequer" in 1672. It is noticeable, too, how often a run of bad harvests either was present at the beginning of, or else aided the continuance of a crisis. Moreover wars were prolific of these disturbances; but, when due weight is given to any one of these adverse objective tendencies, or even to the simultaneous appearance of several of them, allowance has to be made for the human factor. While unexpected adverse events at one period resulted in a crisis, at another similar happenings failed to produce one. Sometimes the mere rumour of a war sufficed to cause a disturbance of credit, on other occasions an actual outbreak of hostilities found trade moderately good. Similarly, crises happened at the beginning or at the end of a run of bad years in agriculture; and they came, too, when harvests were about the average, while again there were famines, but not crises. At later periods the importance of man's judgment and calculation becomes marked in the period of speculative activity which precedes a crisis. But, prior to the development of banking, such intense activity is scarcely to be expected. Though the active dealing in industrial shares in 1692-5 preceded the crisis of 1696-7, and may have aggravated it, this speculation can scarcely be assigned as the sole cause. Over-activity in insurances in 1710 has been greatly exaggerated. This cannot justly be described as "a mania," producing a crisis, since from its nature it was confined to

¹ Roscher, *System der Volkswirtschaft*, III. p. 783.

servants, apprentices and a few of the wage-earning classes in London¹. There was however undoubtedly extreme speculation in 1720.

Over-active trade having been shown not to have been an invariable precursor of these early crises, as can indeed be seen by such collapses happening when trade was depressed, there is another feature to be noticed in this period, namely that a time of good trade tended to persist, once it had set in, with a long interval between crises, while in the converse case the interval between them was reduced. For instance, in eleven good years from 1575 to 1585, there was, as far as is known, no crisis, again in seventeen prosperous years (1603 to 1620), there was only one, whereas in an equal number of bad years (1586 to 1603) there were three, and again from 1696 to 1708, there were only four years free from very great disturbances of trade.

After the stop of the Exchequer, there comes a succession of minor crises, during a period which on the whole was one of great prosperity, terminating in the panic of 1696-7, which was due to a concurrence of circumstances the effects of which had not been foreseen. The cost of the war was much greater than had been expected, and credit could effect less than had been supposed. Good trade had induced people to believe that favourable conditions must recur, and circumstances precluded the realization of these expectations. During the next ten years, several of the crises were occasioned, or at least became acute, through the dread of events which never happened, as for instance war with Scotland, a French invasion, a disputed succession with the possibility of the repudiation of the national obligations. The period of good trade from 1712 to 1719 brought to light some unreasonable expectations, both as to the possibilities of credit and the efficacy of vast combinations of capital. No doubt, one cause of the high price of French Indies and South Sea stocks was the great expectation, formed of the prospects of the trades of which these companies had the monopoly, but in the case of the latter undertaking, it has been shown that the malpractices of the management produced necessarily an over-valuation of the surplus stock. Indeed, had the facts been as they appeared in the early summer of 1720, the quotations, while high, were not excessive. Thus, even in this case, contrary to what might be expected, there was a concealed factor in the situation which inevitably frustrated all calculations as to the future.

This view of the crises up to 1720 is to be understood as applying solely to these. In giving prominence to the element of failing to forecast the future accurately, as the explanation of the chief disturbances of trade during this early period, it must be remembered that information as to current events was very slow, and that the little that existed was

¹ *Vide infra*, III. pp. 392-4.

diffused over a small circle. Commercial intelligence only came into existence after the Revolution. Prior to that period, news of political tension was wanting, and therefore when a rupture came, which the modern historian can see to have been inevitable, it might be a veritable bolt from the blue to the merchants. The improvement of the press appears at first to have had the effect of making crises somewhat more frequent, since the increase of information came quickly, and business men of the time were inclined to exaggerate the unfavourable news which was supplied to them copiously¹.

This explanation of the cause of early crises may be distinguished from that type of theory of the whole subject, which tends to describe these disturbances of credit as being due to accident. Juglar points out that such a description emphasizes the last striking event before a crisis, irrespective of the rest, just as a match put to powder may be spoken of as the cause of the explosion or the last drop of water falling into a full bowl as the reason of the overflow². But a miscalculation is not an accident. It may be due mainly to the training or the state of mind of the persons who fail in their forecast. On the other hand, it may also arise from the fact that those, who have to judge, have been suddenly confronted by phenomena which appear to them unconnected with the whole series on which their estimates of the future were based. Thus, during a period of fairly prosperous trade, English merchants, who had calculated on the continuance of normal conditions and were met by a sudden outbreak of plague, were unable to obtain payment of accounts or a market for their stock and it frequently happened that a crisis resulted. Analysing the crises up to 1720—while as has been shown, in so far as the subjective element of forming a forecast cooperated with the objective one of the nature of the phenomena to be judged, there was a concurrence of both sides of the relation—it will be seen that, owing to defective intelligence in the form of news or to bad government, the objective aspect tends to predominate during this period: while, by the improvement of credit and communication at a later date it may be found that the subjective portion becomes more important, or again it may be that the cause assigned to the crises of this period will give way to another which has come into existence with the altered circumstances.

¹ In the *Anatomy of Exchange Alley*, London, 1719, it is alleged that bogus foreign news was published—"Sham reports, false news, foreign letters &c. are things that have been often trumped upon us....It was written from Rome, from Leghorn, from Genoa, from Turin and from Paris. Nay, it was even believed at Court. Exquisite fraud! Who could have believed that this was born in Exchange Alley, sent over to Rome, agreed to there and executed in such a manner as to cheat, not the town only, but all Europe" (reprinted in *Chronicles and Characters of the Stock Exchange*, by John Francis, London, 1849, pp. 366, 367).

² *Des Crises Commerciales*, ut *supra*, p. 165.

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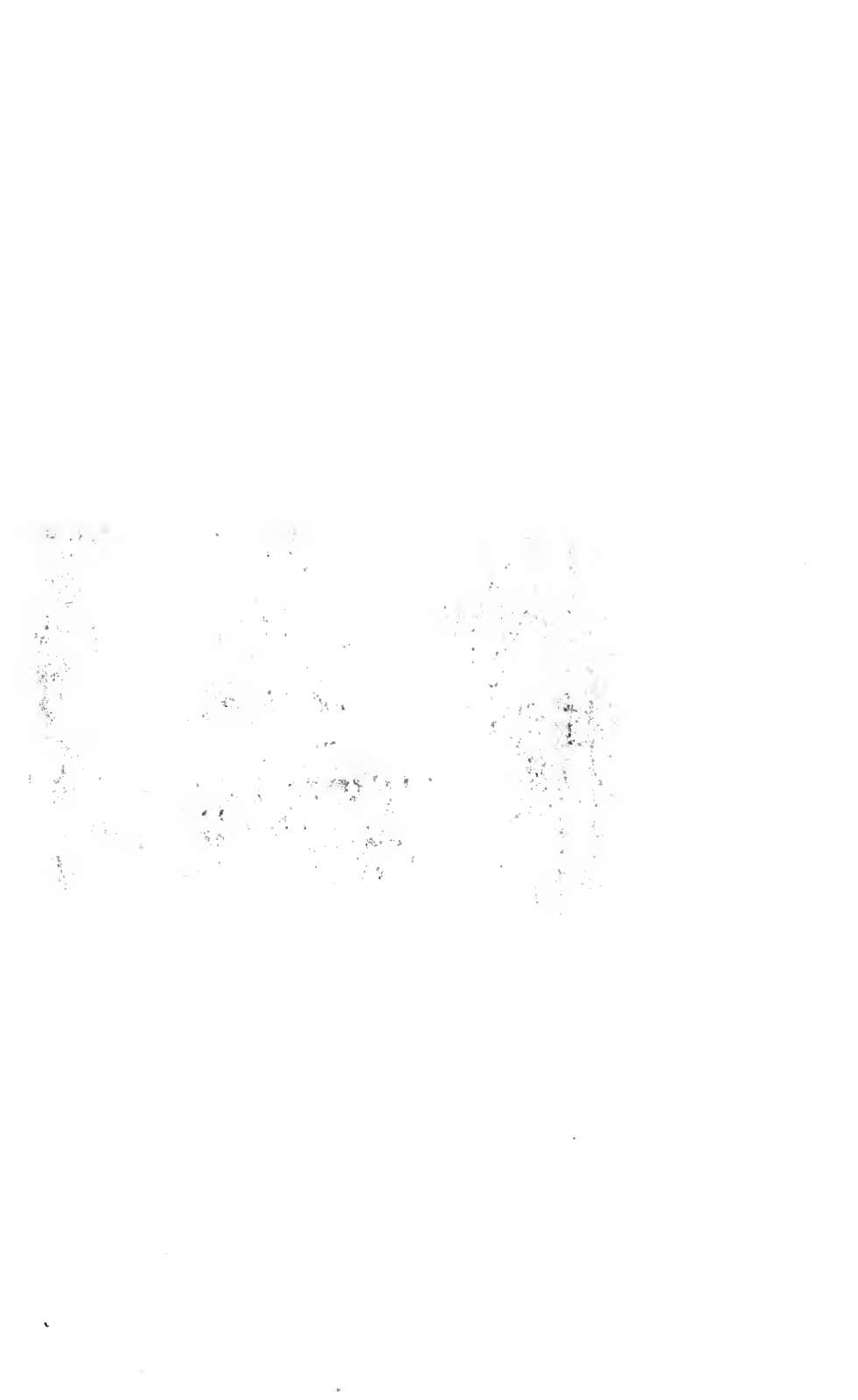
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